



PERSHING SQUARE HOLDINGS, LTD.

# **London Investor Meeting**

**January 29, 2018**

**Pershing Square Capital Management, L.P.**

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# Agenda

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Chairperson's Introduction

2017 PSH Performance Review

Business & Organizational Update

Current Portfolio Update

PSH Discount Management

Q&A

## **Chairperson's Introduction**

# Board of Directors of PSH

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All are independent of Manager other than Nick Botta

- ▶ **Anne Farlow – Chairperson**
- ▶ **Richard Battey**
- ▶ **Nicholas Botta**
- ▶ **Lord Jonathan Kestenbaum**
- ▶ **William Scott**

# **PSH Board Process**

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- ▶ **Quarterly in-person meetings, telephonic meetings as needed**
- ▶ **Review investment performance and portfolio**
- ▶ **Review operational risk management**
- ▶ **Shareholder register**
- ▶ **Investor relations update**
- ▶ **Expenses**
- ▶ **Any regulatory matters**
- ▶ **Additional matters**

# PSH Board Independence

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## ► Management Engagement Committee

- Charter on website
- All directors other than Nick Botta
- Monitor and evaluate Manager's compliance with Investment Management Agreement
- Review continuing appointment of Manager
- Review compensation of Manager
- Review performance of other service providers

## ► Process regarding possible tender offer by affiliates of PSCM

- Only independent directors
- Financial advisor to board – Fidante
- Legal counsel to Board – Herbert Smith & Co.

# **2017 PSH Performance Review**

# Pershing Square Holdings, Ltd. Annual Net Returns

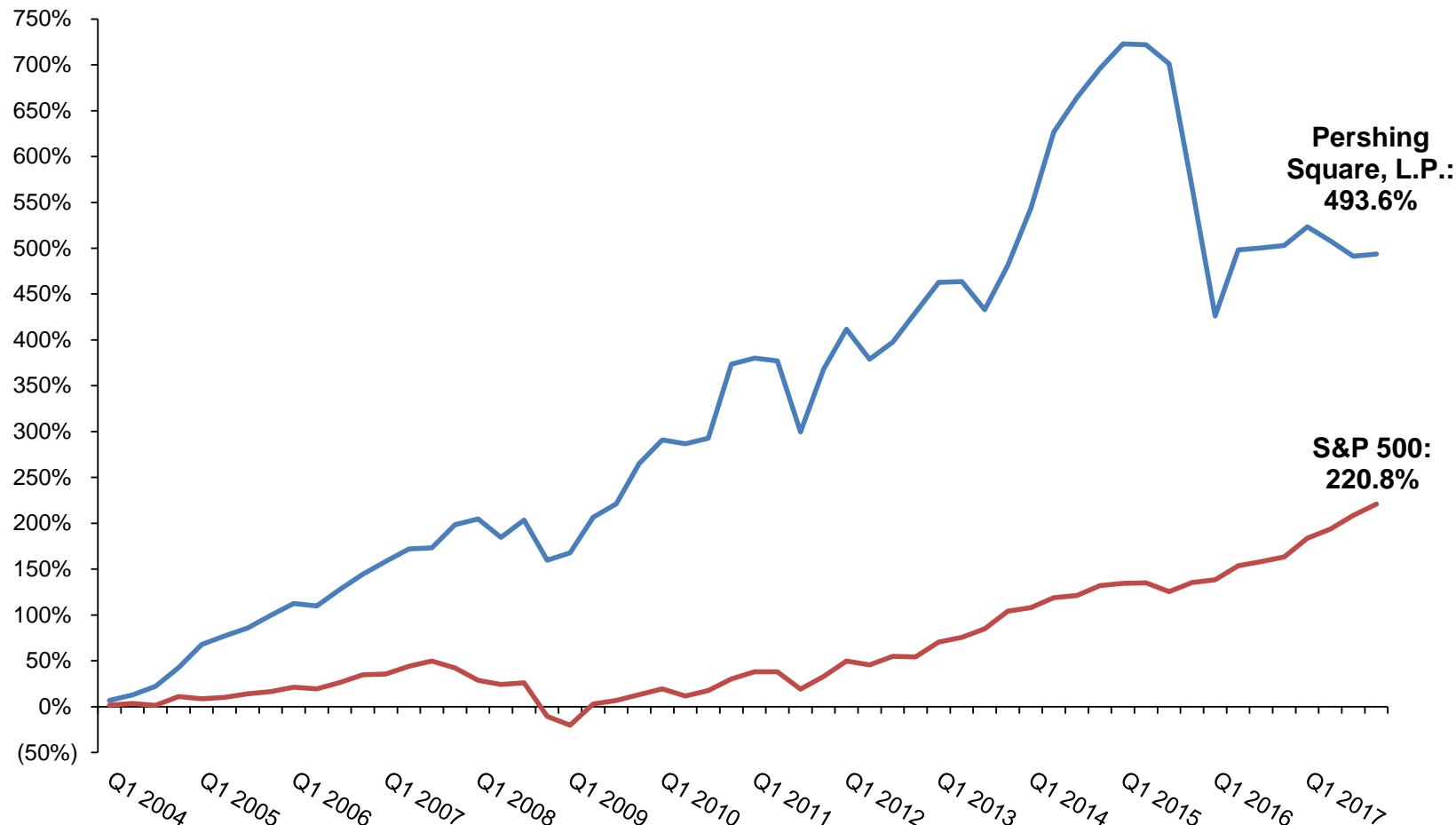
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Year	Since 1/1/2013	
	PSH	S&P 500
2013	9.6%	32.4%
2014	40.4%	13.7%
2015	(20.5%)	1.4%
2016	(13.5%)	11.9%
2017	(4.0%)	21.8%

*Past performance is not necessarily indicative of future results. All investments involve the possibility of profit and the risk of loss, including the loss of principal. Please see the additional disclaimers and notes to performance results at the end of this presentation.*

# Cumulative Net Returns Since Inception (1/1/04)

## Pershing Square, L.P. Net Returns vs. S&P 500 through December 31, 2017

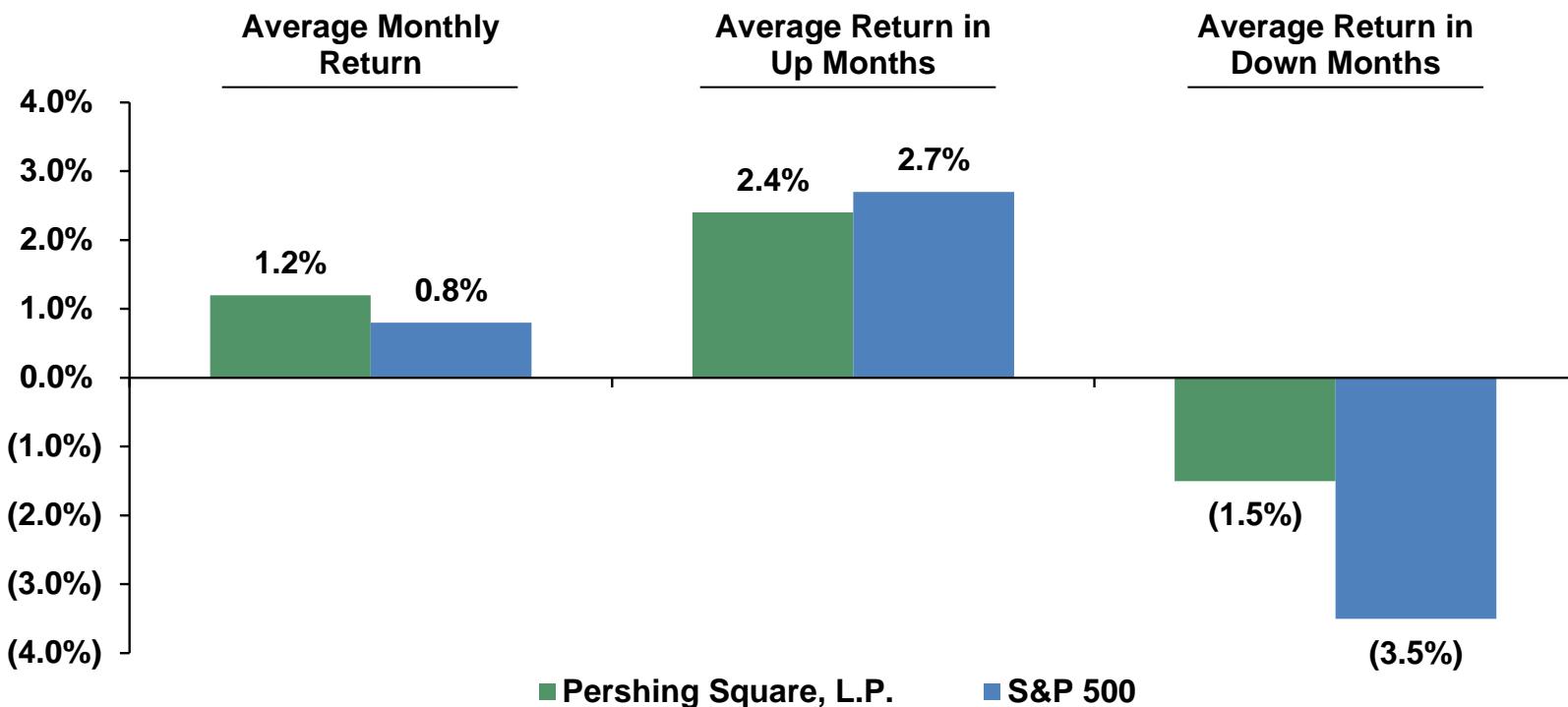


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# Long-Term Performance in Up & Down Markets

## Pershing Square, L.P.

Net Returns vs. S&P 500 (1/1/2004 through 12/31/2017)<sup>(1)</sup>



*Past performance is not necessarily indicative of future results. All investments involve the possibility of profit and the risk of loss, including the loss of principal. Please see the additional disclaimers and notes to performance results at the end of this presentation.*

*(1) Data represents performance of PS LP, the fund managed by Pershing Square with the longest track record. "Up" months and "down" months are defined as months in which the closing price of the S&P 500 on the last business day of the relevant month was higher and lower, respectively, than the closing price of the S&P 500 on the last business day of the immediately preceding month.*

# 2017 Winners (Gross Returns)

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Winners	PSH
<b>Restaurant Brands International</b>	<b>5.2%</b>
<b>Automatic Data Processing Inc</b>	<b>3.5%</b>
<b>Howard Hughes Corp</b>	<b>1.6%</b>
<b>Nomad Foods Limited</b>	<b>1.3%</b>
<b>Hilton Worldwide</b>	<b>0.9%</b>
<b>Nike, Inc.</b>	<b>0.8%</b>
<b>Accretion<sup>(1)</sup></b>	<b>0.4%</b>
<b>All Other Positions</b>	<b>0.9%</b>
<b>Total Winners</b>	<b>14.6%</b>

*Past performance is not necessarily indicative of future results. All investments involve the possibility of profit and the risk of loss, including the loss of principal. Each position with contribution to returns of at least 50 basis points when rounded to the nearest tenth is shown separately. Positions with smaller contributions are aggregated. The returns (and attributions) set forth above do not reflect certain fund expenses (e.g., administrative expenses). Please see the additional disclaimers and notes to performance results at the end of this presentation.*

*(1) On May 2, 2017, PSH began its share buyback program whereby its buyback agent began to repurchase Public Shares subject to certain limitations. The positive impact on performance due to these share buybacks ("accretion") is reflected above.*

# 2017 Losers (Gross Returns)

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Losers	PSH
<b>Herbalife</b>	<b>(4.0%)</b>
<b>Mondelez International</b>	<b>(3.5%)</b>
<b>Fannie Mae &amp; Freddie Mac</b>	<b>(3.3%)</b>
<b>Chipotle Mexican Grill</b>	<b>(2.7%)</b>
<b>Allergan Litigation Reserve</b>	<b>(1.3%)</b>
<b>Valeant Pharmaceuticals</b>	<b>(1.0%)</b>
<b>All Other Positions</b>	<b>(1.4%)</b>
<b>Total Losers</b>	<b>(17.2%)</b>

Past performance is not necessarily indicative of future results. All investments involve the possibility of profit and the risk of loss, including the loss of principal. Each position detracting 50 basis points or more from returns when rounded to the nearest tenth is shown separately. Positions detracting less than 50 basis points are aggregated. The returns (and attributions) set forth above do not reflect certain fund expenses (e.g., administrative expenses). Please see the additional disclaimers and notes to performance results at the end of this presentation.

# Long and Short Attribution (Gross Returns)

## Pershing Square, L.P.

	Long	Short/Hedge
2004	61.6%	(5.9%)
2005	53.7%	(1.6%)
2006	36.9%	(6.9%)
2007	(5.6%)	34.9%
2008	(23.2%)	11.6%
2009	60.5%	(11.4%)
2010	43.8%	(4.7%)
2011	2.5%	(2.1%)
2012	16.9%	1.1%
2013	25.8%	(12.0%)
2014	42.4%	5.8%
2015	(9.3%)	(5.6%)
2016	(7.1%)	(1.1%)
2017	3.3%	(3.4%)

## Pershing Square Holdings, Ltd.

	Long	Short/Hedge
2013	24.9%	(11.9%)
2014	44.7%	5.9%
2015	(13.7%)	(5.6%)
2016	(11.0%)	(1.1%)
2017	1.5%	(4.1%)

*Past performance is not necessarily indicative of future results. All investments involve the possibility of profit and the risk of loss, including the loss of principal. Please see the additional disclaimers and notes to performance results at the end of this presentation.*

*Note: Because of a change in reporting methodology, HKD call options are included in short attributions from 2010 through 2014 and are included in long attribution for 2015 and 2016. The Allergan litigation reserve taken in 2016 and 2017 reduced the Long Attribution percentage in those years for both Pershing Square, L.P. and Pershing Square Holdings, Ltd. by 0.6% and 1.3%, respectively.*

# Total Assets Under Management

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\$ in millions

	12/31/2017 AUM
<b>Pershing Square Holdings, Ltd.</b>	<b>\$4,243</b>
<b>Pershing Square International, Ltd.</b>	<b>2,090</b>
<b>Pershing Square, L.P.</b>	<b>1,852</b>
<b>Pershing Square II, L.P.</b>	<b>74</b>
<b>Total Core Fund AUM</b>	<b>\$8,259</b>
<b>PS VI Funds (ADP Co-Investment Vehicle)</b>	<b>510</b>
<b>Total Firm AUM</b>	<b>\$8,769</b>

*Assets under management are net of any capital redemptions (including crystallized performance fee/allocation, if any). No deductions are made for any capital redemptions if such redemption amounts are to be immediately re-subscribed into the same Pershing Square fund. In July 2017, total NAV included Pershing Square VI, L.P. and Pershing Square VI International, L.P., each feeder funds to Pershing Square VI Master, L.P., all of which operated collectively as a co-investment vehicle investing primarily in securities of (or otherwise seeking to be exposed to the value of securities issued by) Automatic Data Processing, Inc. (collectively, "PSVI") without double counting investments by any Core Fund in PSVI. Pershing Square L.P., Pershing Square International, Ltd. and Pershing Square Holdings, Ltd. have investments totaling \$117m; \$142m and \$257m, respectively, in the Pershing Square VI Funds as of December 31, 2017.*

## **Business & Organizational Update**

# Returning to Our Roots

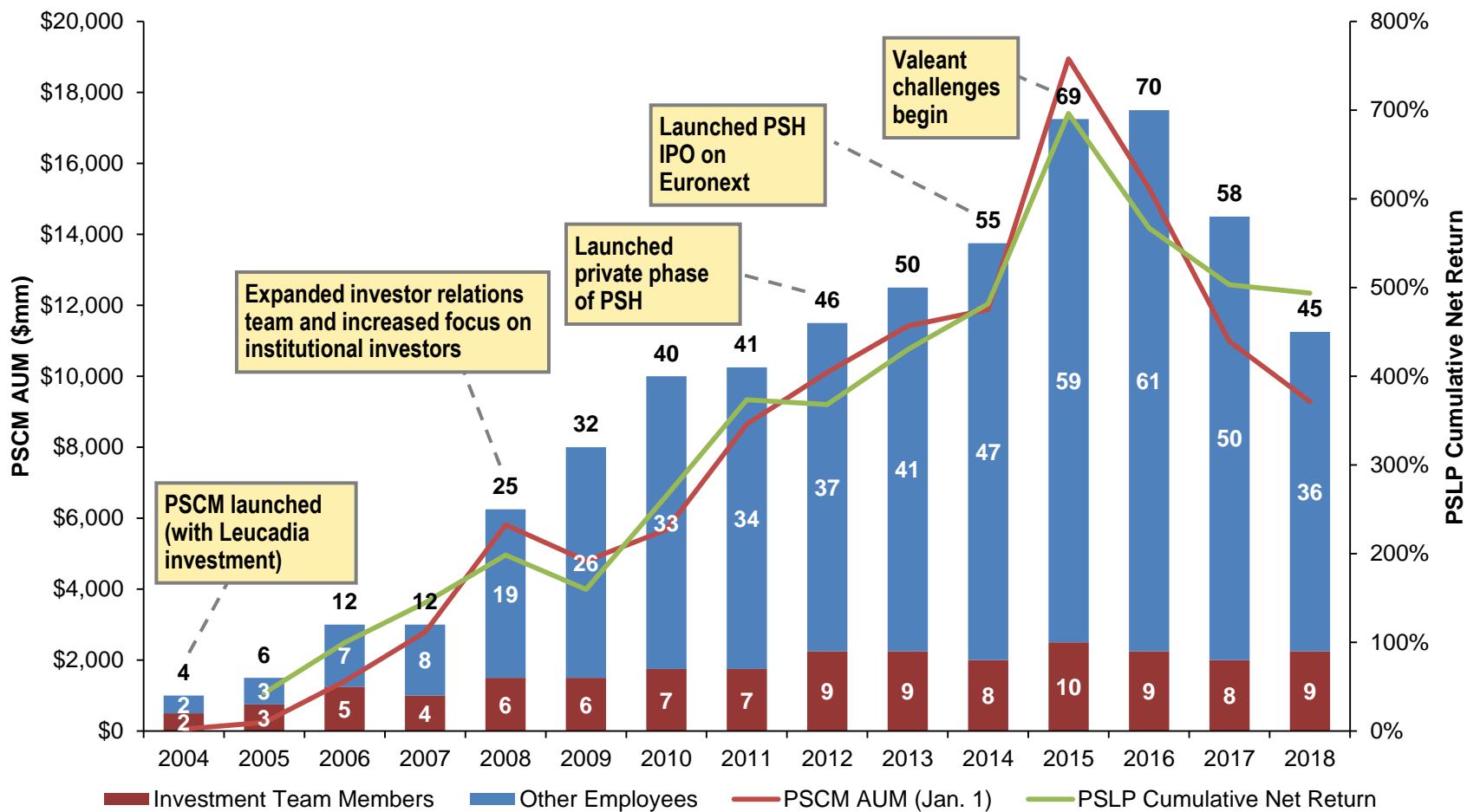
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We have created a strong path forward that reminds us of our early roots

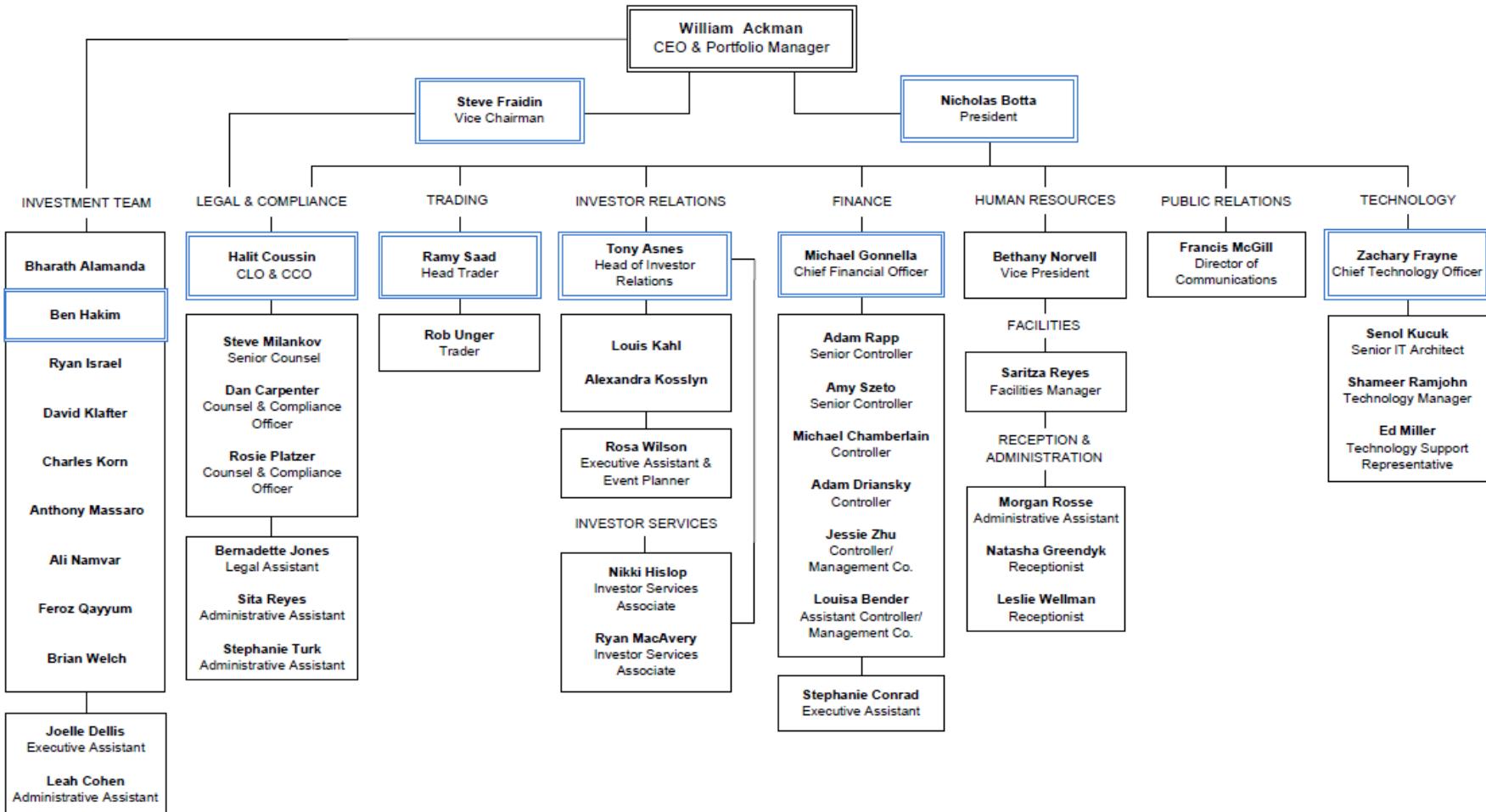
- ✓ **Restructured to a smaller investment-centric organization**
  - Growth will come from returns, not asset gathering
  - More efficient and impactful team will strengthen the firm's culture
  
- ✓ **Reinforced our core investment principles**
  - We have learned from our mistakes and carved our investment principles in stone
  - New investments in 2017 demonstrate strong alignment with core principles
  
- ✓ **Continue to create value with activism**
  - ADP and Chipotle are in early stages of value creation

# Evolution of Pershing Square Organization

Despite stability in the size of the investment team, total headcount grew by over 50% from 2012 to 2016 as PSH was launched and capital increased



# New Organizational Design



# Organizational Realignment

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- ▶ **While Pershing Square will continue its highly transparent approach, Bill will no longer spend time on day-to-day IR matters**
  - Investors will hear directly from Bill and the rest of the investment team in quarterly conference calls and letters along with annual investor presentations
  - The IR team, led by Tony Asnes, will continue to conduct investor meetings and calls with support from investment team member Ben Hakim
  - Decreased emphasis on replacing capital will reduce IR needs
- ▶ **As President, Nick Botta will take on increasing responsibilities for non-investment team related firm operations**
  - Staff reduction will result in a more focused and efficient team structure
  - Bill will delegate all day-to-day organizational management duties

# Pershing Square's Core Investment Principles

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## Key Business Characteristics

- ▶ **Simple, predictable, free-cash-flow-generative business**
- ▶ **Formidable barriers to entry**
- ▶ **Limited exposure to extrinsic factors that we cannot control**
- ▶ **Generally, low financial leverage levels**
- ▶ **Minimal capital markets dependency**
- ▶ **Typically, highly liquid, mid- and large-cap companies**
- ▶ *In limited circumstances, we are willing to waive certain of the above criteria if there are sufficient mitigating factors, and the position is sized appropriately*

# Pershing Square's Core Investment Principles (Cont.)

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## Attractive Valuation

- ▶ Fair price “as is,” but a substantial discount to optimized value
- ▶ Base case valuation not reliant on future M&A or platform value

## Good Management & Governance

- ▶ In-place or identified management with high degree of integrity, track record of success, and appropriate incentives
- ▶ Typically, no controlling shareholder

# Pershing Square's Core Investment Principles (Cont.)

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## Occasional Mispriced Probabilistic Investments

- ▶ Must offer highly asymmetric return to compensate for possibility of permanent loss of capital
- ▶ Limited to investments within our circle of competence
- ▶ Will represent a small percentage of fund capital in the aggregate and an appropriate “return on invested brain damage”

## Occasional Short Investments

- ▶ High conviction short with a “ceiling on valuation”
- ▶ Identifiable catalyst for closing the gap between market price and intrinsic value that generally does not require our public activist involvement
- ▶ Preferably structured with asymmetric risk / reward

# New Idea Generation was Robust in 2017

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In 2017, Pershing Square established multiple investment positions that reflect our core investing principles



- Leading HCM services firm with a strong market position in an attractive industry and a substantial margin improvement opportunity



- Premier hotel brand with a franchised business model and a significant capital-light growth opportunity of new hotel units



- Dominant market leader in the consolidated and high-growth athletic footwear market with a margin expansion opportunity



- Leading credit rating and financial data services firm with a strong competitive position and a high quality, annuity-like revenue stream

Undisclosed  
Position

- High quality, simple, predictable, free-cash-flow generative business
- Sold due to business developments following our initial investment

*Note: Hilton Worldwide position established in 2016, but Hilton RemainCo position established at the spin-off date of 1/4/17 and purchases of Hilton continued in 2017.*

# New Idea Generation was Robust in 2017 (Cont.)

We established a full-sized position in ADP and in the undisclosed position, but were unable to acquire a full-sized position in our other new ideas as their prices increased significantly amidst a rapidly rising stock market

	Price Increase from Start of Diligence <sup>(1)</sup> to:			
	Notional Exposure at Cost	Last Purchase	Last Sale or Latest Price <sup>(2)</sup>	Contribution to 2017 Returns
	4%	34%	48%	0.7%
	3%	9%	32%	0.6%
	1%	14%	20%	0.1%

***These positions each contributed positively to 2017 returns, but would have made much larger contributions if we had been able to establish full-sized positions at attractive prices***

<sup>(1)</sup> Price increase from Start of Diligence represents the increase in price in the relevant position from the date that work commenced on the Pershing Square diligence that led to acquiring the position.

<sup>(2)</sup> Closing price on last sale date used for exited positions Hilton and S&P Global; latest price as of 1/19/18 used for current position NIKE.

# Investment Team Update

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- ▶ **Ali Namvar will retire in March 2018 to pursue his long-standing creative and entrepreneurial interests**
  - ✓ Ali will join the Pershing Square Advisory Board and continue to serve on the Chipotle board as a Pershing Square representative
  - ✓ He will remain an investor in the funds and retain an economic interest in the firm
- ▶ **David Klafter will replace Jenna Dabbs on the investment team**
- ▶ **Bharath Alamanda and Feroz Qayyum joined the investment team in September 2017**

**The investment team is the right size and remains fully committed**

- ✓ *Next generation of leaders in place*
- ✓ *Best-in-class investment analysts and outstanding team dynamics*
- ✓ *Attractive retention awards and rewarding culture should help maintain low team turnover*

# Investment Team Bios

Employee	Education and Summary Prior Experience	Career Experience (Years)	Joined PSCM
<b>William Ackman</b> CEO / Portfolio Manager	Gotham Partners, Co-founder and Portfolio Manager (1992 - 2003) M.B.A., Harvard Business School, 1992 A.B., Harvard College, magna cum laude, 1988	28	2004
<b>David Klafter</b>	Gotham Partners, General Counsel (1996 - 2004) White & Case/Paskus Gordon & Mandel, Litigator (1982 - 1996) Hon. Charles H. Tenney, Law Clerk (1980 - 1982) J.D., NYU Law School, 1980; B.A., Northwestern University, phi beta kappa, 1976	38	2004
<b>Ryan Israel</b>	Goldman Sachs, Analyst (2007 - 2009) B.S.E., The Wharton School, summa cum laude, beta gamma sigma, 2007	11	2009
<b>Brian Welch</b>	The Blackstone Group, Private Equity Analyst (2008 - 2011) B.S.E., The Wharton School, summa cum laude, beta gamma sigma, 2008	10	2011
<b>Ben Hakim</b>	The Blackstone Group, Senior Managing Director (1999 - 2012) PricewaterhouseCoopers, Associate (1997 - 1999) B.S., Cornell University, 1997	20	2012
<b>Anthony Massaro</b>	Apollo Global Management, Private Equity Associate (2011 - 2013) Goldman Sachs, Analyst (2009 - 2011) B.S.E., The Wharton School, summa cum laude, beta gamma sigma, 2009	9	2013
<b>Charles Korn</b>	Kohlberg Kravis Roberts & Co., Private Equity Associate (2012 - 2014) Goldman Sachs, Analyst (2010 - 2012) B.A., The University of Western Ontario, Richard Ivey School of Business, Ivey Scholar, 2010	8	2014
<b>Bharath Alamanda</b>	Kohlberg Kravis Roberts & Co., Private Equity Associate (2015 - 2017) Goldman Sachs, Analyst (2013 - 2015) B.S.E., Princeton University, summa cum laude, phi beta kappa, 2013	5	2017
<b>Feroz Qayyum</b>	Hellman & Friedman, Private Equity Associate (2015 - 2017) Evercore, Analyst (2013 - 2015) B.A., The University of Western Ontario, Richard Ivey School of Business, Ivey Scholar, 2013	5	2017

Note: Team structure as of March 31, 2018.

## **Experienced, Aligned, and Well-Incentivized Team**

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- ✓ Reduced size of organization allows for competitive compensation for staff and partners
- ✓ Continued large ratio of assets to investment team and overall organizational size
- ✓ Introduced long-term incentive plan in 2017
- ✓ Increased profits interests and minimum guarantees for certain employees
- ✓ \$500mm+ ADP co-investment vehicle provides additional long-dated incentive economics for the team
- ✓ Unique culture which is extremely supportive of returning to our roots as a smaller focused organization

# We Believe Now is a Uniquely Attractive Time to Be an Investor in Pershing Square

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- ▶ Experience is making mistakes and learning from them
- ▶ We have reaffirmed the core investment principles that drove our returns since inception
- ▶ Our idea generation engine is intact
- ▶ Our fee arrangement is highly favorable
  - Management fee reduced for next eight quarters by an average of 14% depending on the fund as a result of Allergan settlement
  - No incentive fees until we cross high water mark, which is a 50%\* increase for PSH
- ▶ We are extremely motivated for reputational and economic reasons to create value for our investors

\*PSH High Water Mark as of January 24, 2018.

## **Current Portfolio Update**

# Automatic Data Processing (“ADP”)

**ADP is a high quality, simple, predictable, free-cash-flow generative business**

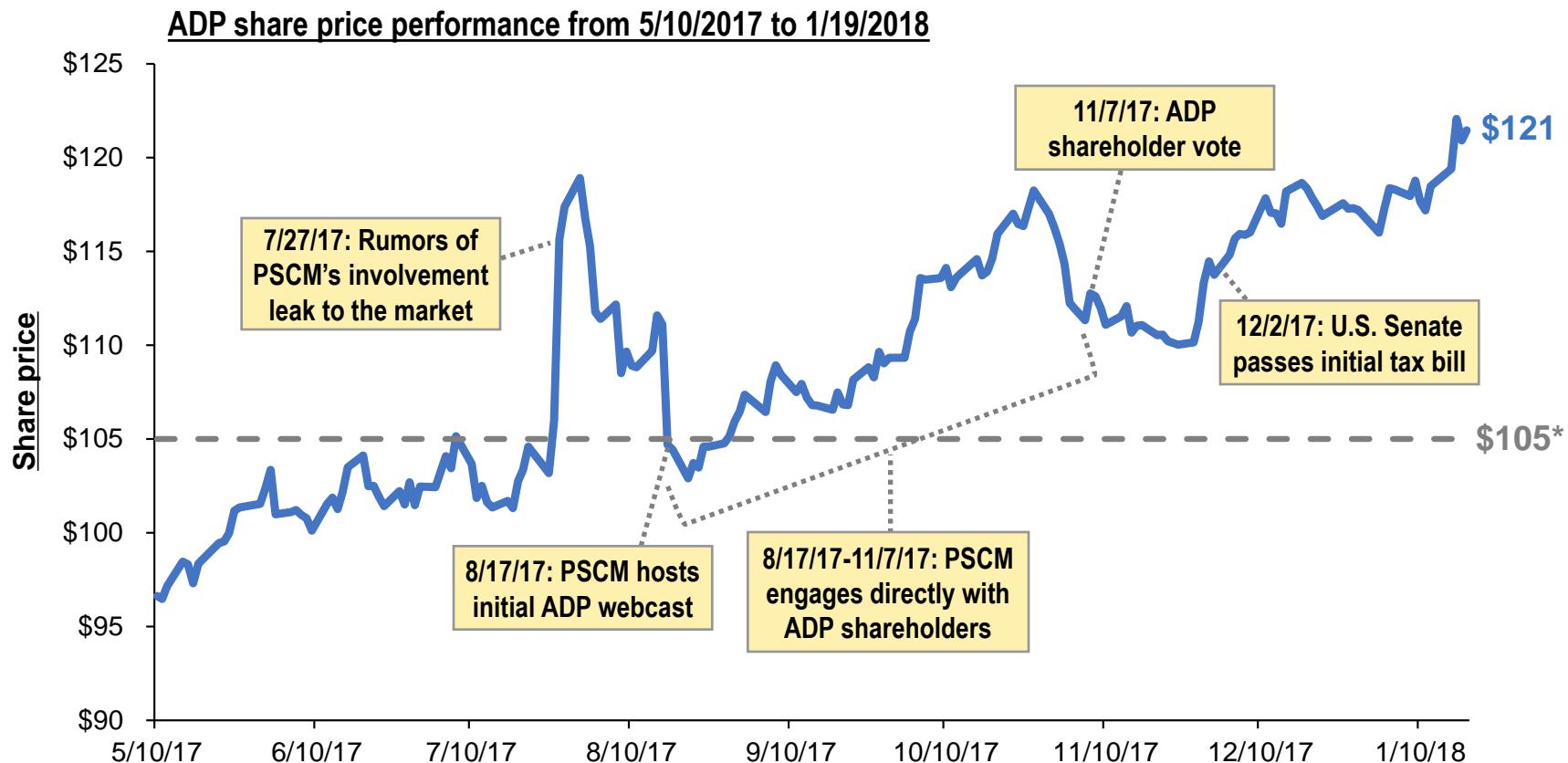
- ▶ **ADP participates in an attractive industry with robust secular growth**
- ▶ **Recent developments have confirmed elements of our investment thesis**
  - U.S. tax reform will drive a ~13-15% increase in earnings
  - Rising interest rates will increase ADP's profits on its \$24bn float balance over time

**ADP has a significant opportunity to create long-term shareholder value**

- ▶ **As a result of our proxy campaign, ADP's management committed to improved growth and accelerated margin performance**
- ▶ **We remain actively engaged at ADP; achieving ADP's structural potential will drive substantial shareholder value**
  - Employer Services' growth can increase from ~2-4% to ~7%+, while operating margins should increase from ~19% today to 35% or greater
  - Implies ~\$10 of EPS by FY 2022, >50% increase relative to the status quo
- ▶ **ADP's stock has increased 18%<sup>(1)</sup> from our average cost, but remains undervalued and does not reflect the significant opportunity for improvement**
  - Pro-forma for tax reform, ADP trades at ~24x ADP's FY June 2019 EPS guidance, slightly below the valuation when we initiated the position

# ADP: Share Price Performance Since Inception

ADP's share price including dividends has increased 18% from our average cost at announcement date to January 19, 2018



Note: The performance of ADP's share price is provided for illustrative purposes only and is not an indication of future returns of the Pershing Square funds.

\*Average cost at announcement date.

# Restaurant Brands International (“QSR”)

Restaurant  
Brands  
International

**QSR remains an attractive investment opportunity despite significant share price appreciation in 2017**

## Continued Strong Business Performance

- ▶ Net unit growth of 6% at Burger King and 4% at Tim Hortons
- ▶ Margin enhancement from continued efficiencies and Popeyes integration
  - Increased EBITDA margins ~250bps at Burger King and >1,000bps at Popeyes
- ▶ Same-store-sales growth at Burger King (+3%) more than offset flat results at Tim Hortons

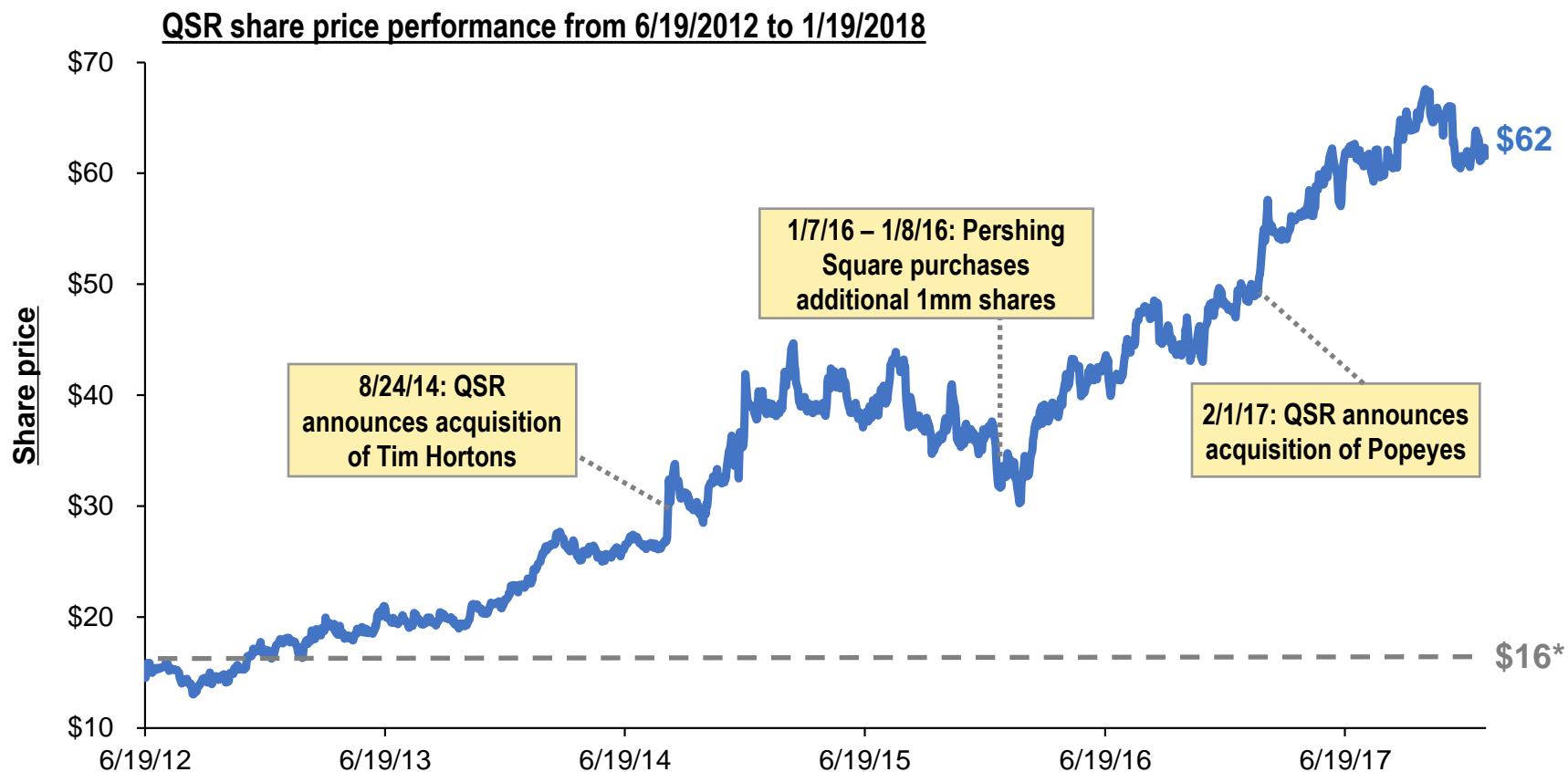
## Cheap Relative to Intrinsic Value and Peers

- ▶ Trades at ~21x our estimate of 2018 free cash flow per share
- ▶ Peers<sup>(1)</sup> trade at an average of ~25x 2018 free cash flow per share based on analyst estimates
  - QSR trades at a discount to peers despite higher long-term growth potential
- ▶ Free option on future value-creating acquisitions

(1) Peers include McDonald's, Yum! Brands, Domino's Pizza and Dunkin' Brands.

# QSR: Share Price Performance Since Inception

QSR's share price including dividends has increased 300% (4.0x) from our average cost since it merged with Justice Holdings to Jan. 19, 2018



Note: The performance of QSR's share price is provided for illustrative purposes only and is not an indication of future returns of the Pershing Square funds.

\*Average cost since it merged with Justice Holdings.

# Mondelez International (“MDLZ”)

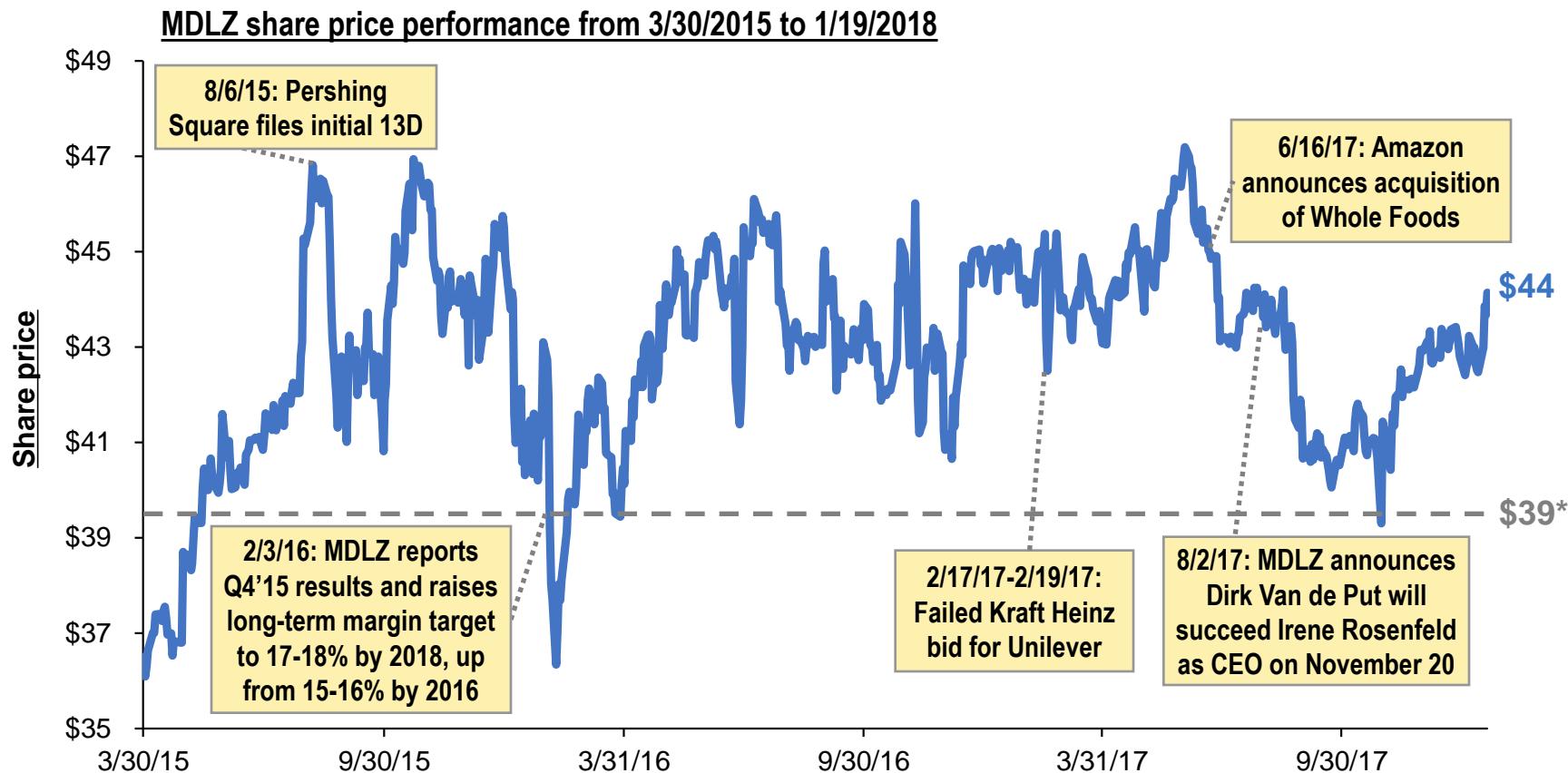


We believe there are clear catalysts for an upward revaluation of MDLZ as key investor concerns that emerged last year are addressed

- ▶ Today, MDLZ trades at 18x our estimate of 2018 earnings per share
  - Slight discount to S&P 500 despite high business quality, secular growth potential, and substantial margin improvement opportunity
  - ~15% discount to both peer valuations and historical average multiple
  - Undervaluation driven by concerns around the U.S. grocery landscape, MDLZ's growth potential, and the recent CEO transition
- ▶ We expect continued acceleration in revenue growth and clarity on the new CEO's strategy will cause MDLZ's gap to intrinsic value to close
  - Only 25% of sales in the U.S., with ~40% in emerging markets and ~85% in snacks
  - Improved quality of organic growth with higher contribution from volume growth
  - EMs macro, FX, and product rationalization have turned from headwinds to tailwinds
  - No need for new CEO to “rebase” earnings given strength of manufacturing base and supply chain; healthy levels of A&P investment; and remaining margin opportunity
- ▶ Compelling upside from re-rating combined with double-digit EPS growth

# MDLZ: Share Price Performance Since Inception

MDLZ's share price including dividends has increased 17% from our average cost at announcement date to January 19, 2018



Note: The performance of MDLZ's share price is provided for illustrative purposes only and is not an indication of future returns of the Pershing Square funds.

\*Average cost at announcement date.

# Howard Hughes Corporation (“HHC”)



**HHC continues to create value across its portfolio of core trophy real estate assets**

- ▶ **Strong condo sales at HHC’s 60-acre Ward Village coastal development in Hawaii with 93% of its existing condo inventory sold or under contract**
- ▶ **Seaport District on track for grand opening in Summer 2018**
  - Signed long-term lease with ESPN for 19K SF to broadcast its daily shows
- ▶ **HHC’s Summerlin master planned community (“MPC”) in Las Vegas will have its fifth straight year with over \$100M in land sales**
- ▶ **Increase in land sales at both Bridgeland and Woodlands MPCs in Houston**
- ▶ **Announced that Bank of America will serve as the lead anchor tenant for a new 51-story, Class A downtown office building in Chicago**
- ▶ **HHC has 37M SF of remaining vertical development entitlements at its existing MPCs alone, which is nearly 10x the amount of development that HHC has executed since 2011**

**PSH sold its common stock in HHC (but retained its HHC total return swaps) to address potential FIRPTA issues at PSH**

# HHC: Share Price Performance Since Inception

HHC's share price has increased 250% (3.5x) from the November 2010 spinoff from GGP to January 19, 2018



Note: The performance of HHC's share price is provided for illustrative purposes only and is not an indication of future returns of the Pershing Square funds.

\*Average cost at announcement date.

# Chipotle Mexican Grill (“CMG”)

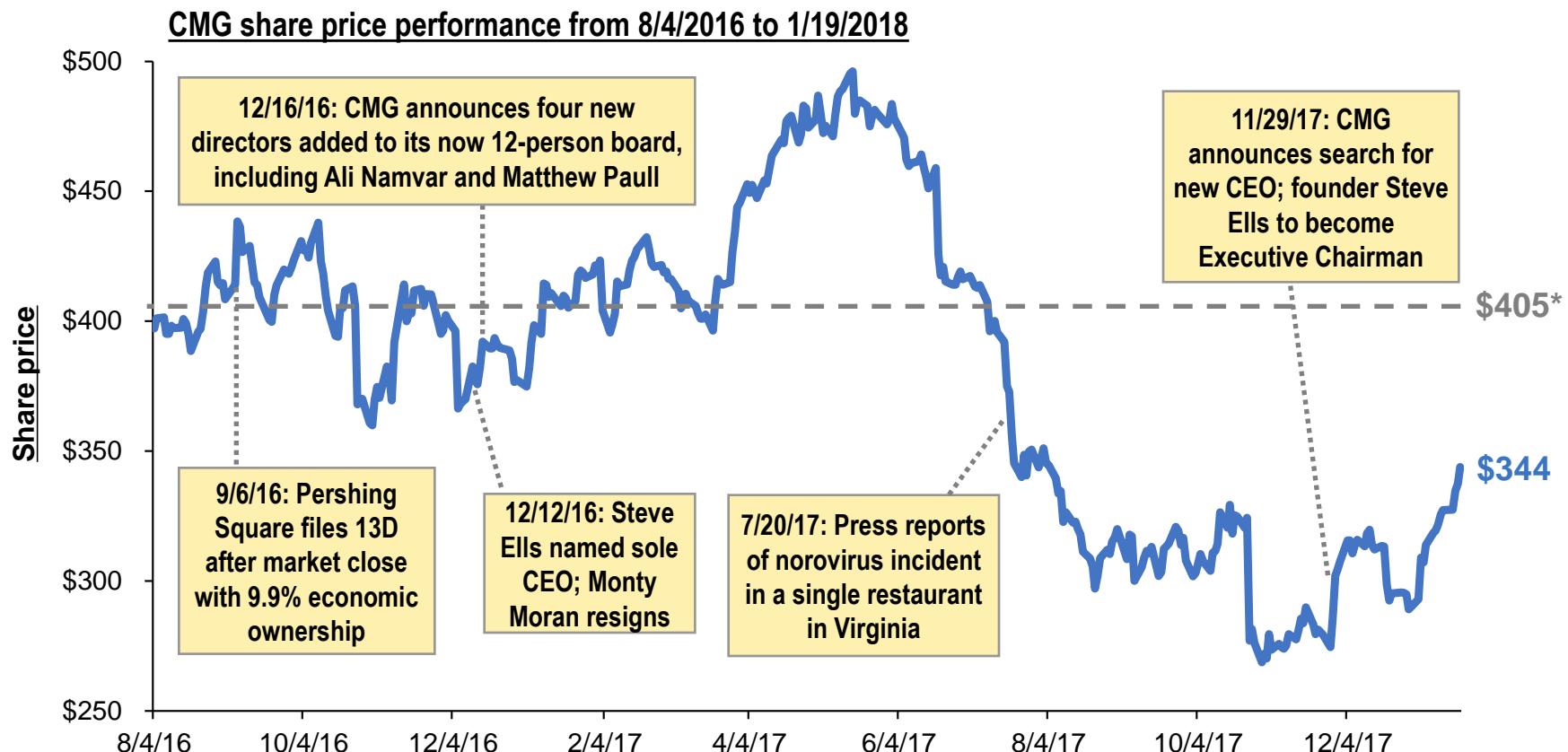


We believe Chipotle represents a highly attractive turnaround opportunity

- ▶ On November 29, Chipotle announced a search for a new CEO and the transition of founder Steve Ells to Executive Chairman
- ▶ The Board of Directors is committed to recruiting a world-class CEO
  - Search committee is comprised of Pershing Square partner Ali Namvar, Robin Hickenlooper, and Steve Ells
  - Seeking an experienced leader with a passion for driving excellence across every aspect of the business who has the requisite skills to reinvigorate the brand
- ▶ Incredible opportunity for new CEO given Chipotle's vast unrealized growth potential
  - ✓ Digital experience
  - ✓ Menu innovation
  - ✓ Delivery and catering
  - ✓ Domestic and international expansion

# CMG: Share Price Performance Since Inception

CMG's share price has declined 15% from our average cost at announcement date to January 19, 2018



Note: The performance of CMG's share price is provided for illustrative purposes only and is not an indication of future returns of the Pershing Square funds.

\*Average cost at announcement date.

# Fannie Mae (“FNMA”) and Freddie Mac (“FMCC”)

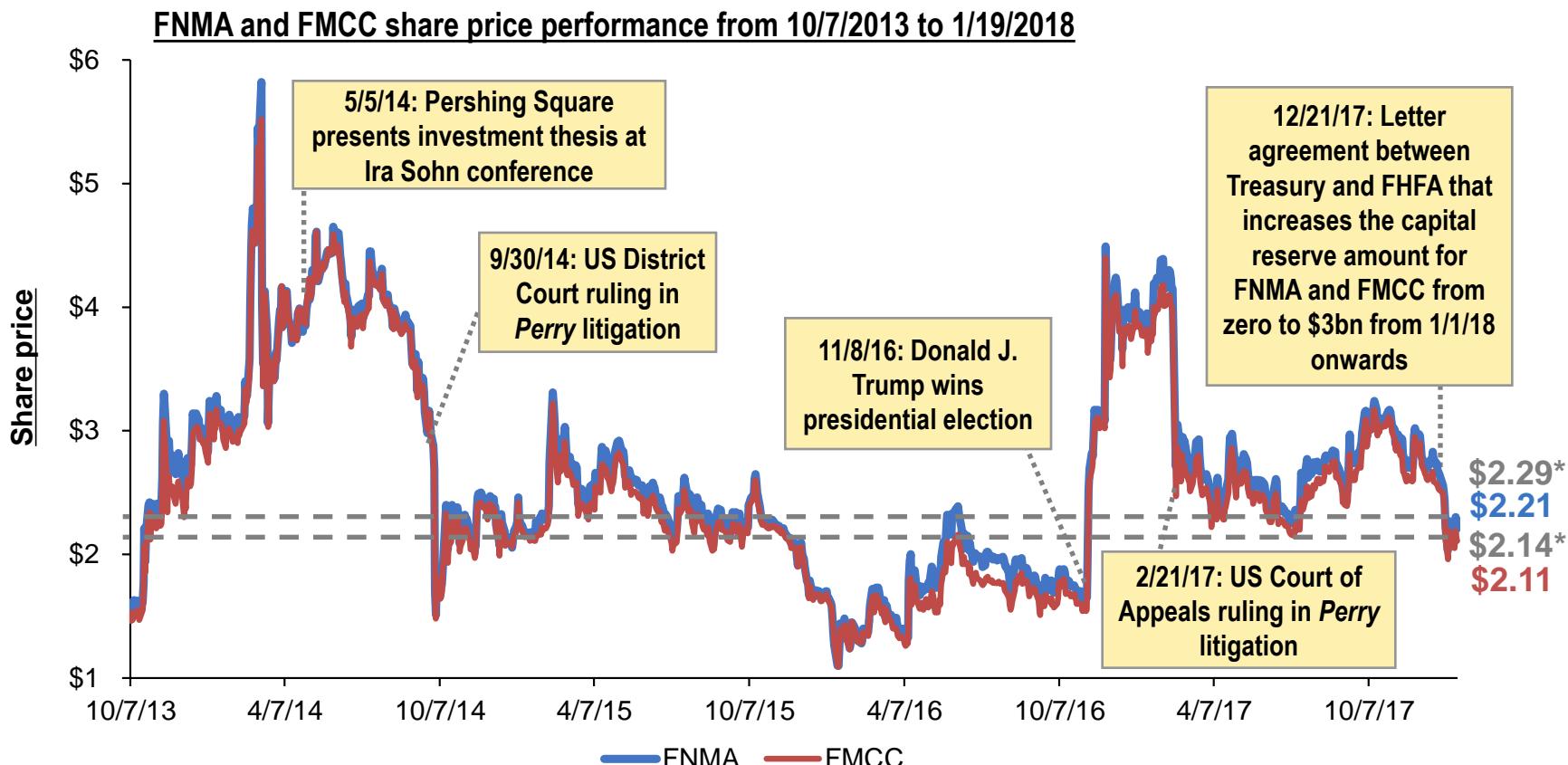


**Fannie and Freddie are trading near our average cost despite significant positive developments since our initial investment**

- ▶ **We believe that any proposal for housing finance reform must satisfy the following conditions in order to succeed**
  - Simplicity to ensure broad support and minimize systemic risk
  - Appealing investment proposition to raise new private capital, including visibility into long-term earnings power
  - Fair treatment of current investors in Fannie and Freddie in order for new capital to be raised
- ▶ **While momentum for reform is stronger now than at any time since the conservatorship began, several key points of debate remain**
  - Feasibility and desirability of creating new competitors
  - Appropriate capital levels, rates of return, and degree of regulation
  - Treatment of various classes of securities in Fannie and Freddie
- ▶ **If housing finance reform is successful, we believe Fannie and Freddie will be worth multiples of their current share prices**

# FNMA and FMCC: Performance Since Inception

FNMA and FMCC share prices have decreased 3% and 1%, respectively, from our average cost at announcement date to January 19, 2018



Note: The performance of FNMA's and FMCC's share prices is provided for illustrative purposes only and is not an indication of future returns of the Pershing Square funds.

\*Average cost at announcement date of \$2.29 for FNMA and \$2.14 for FMCC.

# Platform Specialty Products Corporation (“PAH”)



## Strong business performance in 2017

- ▶ **9% organic EBITDA growth due to revenue growth and cost savings**
  - Performance Solutions grew 12% and Ag Solutions grew 5%
- ▶ **Refinanced ~\$4bn of debt, significantly lowering interest expense**

## Valuation remains at a discount to publicly traded segment peers

- ▶ **PAH trades at 9.5x analyst estimates of 2018 EBITDA**
- ▶ **Performance Solutions peer, Cabot Micro, trades at ~13x 2018 EBITDA<sup>(1)</sup>**
- ▶ **Ag Solutions peer, FMC, trades at ~12x 2018 EBITDA<sup>(1)</sup>**

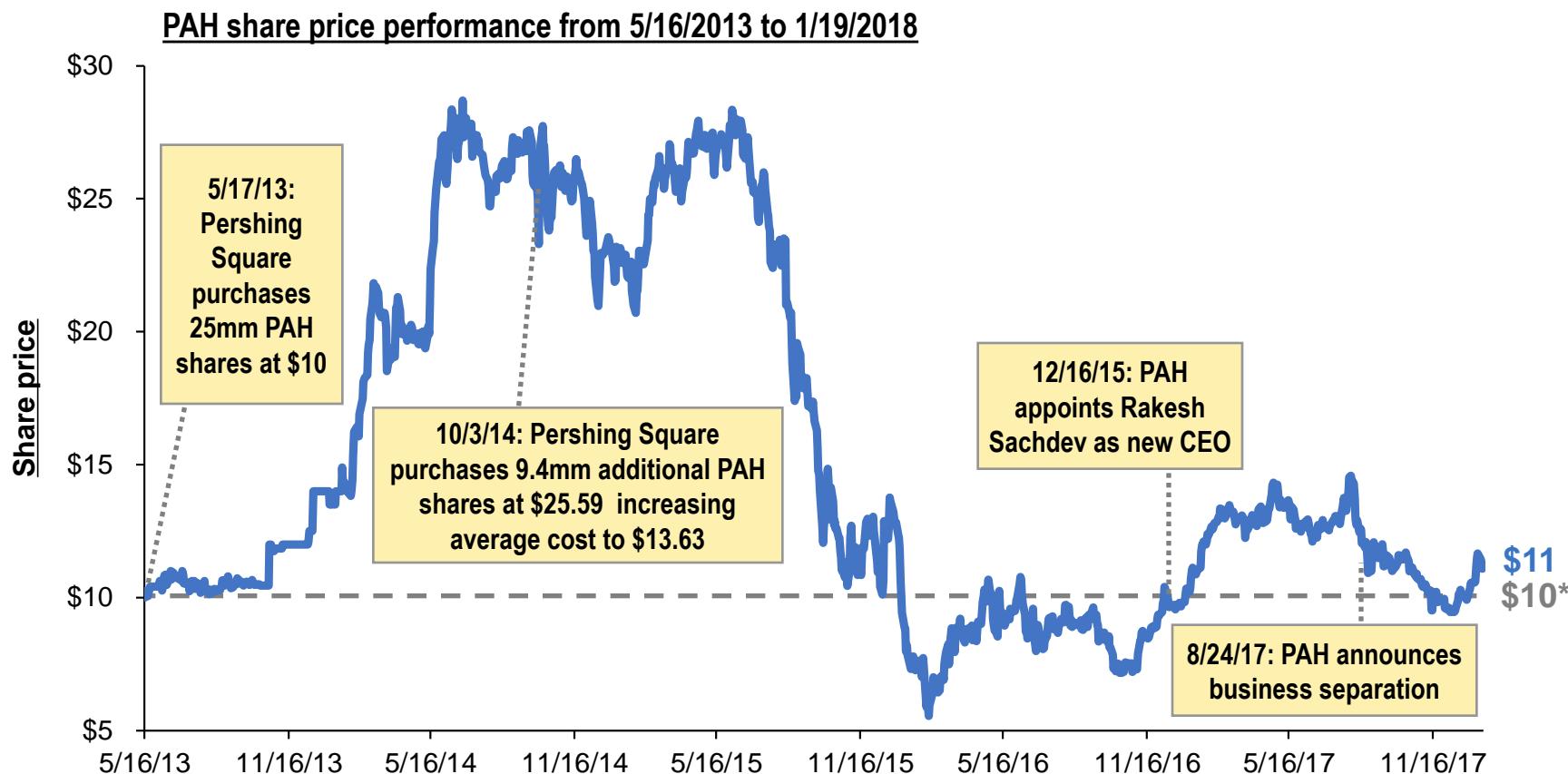
## Announced separation to address sum-of-the parts discount

- ▶ **Separation expected to occur in second half of 2018**

***Based on analyst estimates for 2018 EBITDA, PAH shares would be valued at more than \$19, nearly 75% above current levels, if it traded at current peer multiples***

# PAH: Share Price Performance Since Inception

PAH's share price has increased 13% from its IPO on the London Stock Exchange to January 19, 2018



Note: The performance of PAH's share price is provided for illustrative purposes only and is not an indication of future returns of the Pershing Square funds.

\*Average cost at announcement date.

# NIKE, Inc. (“NKE”)

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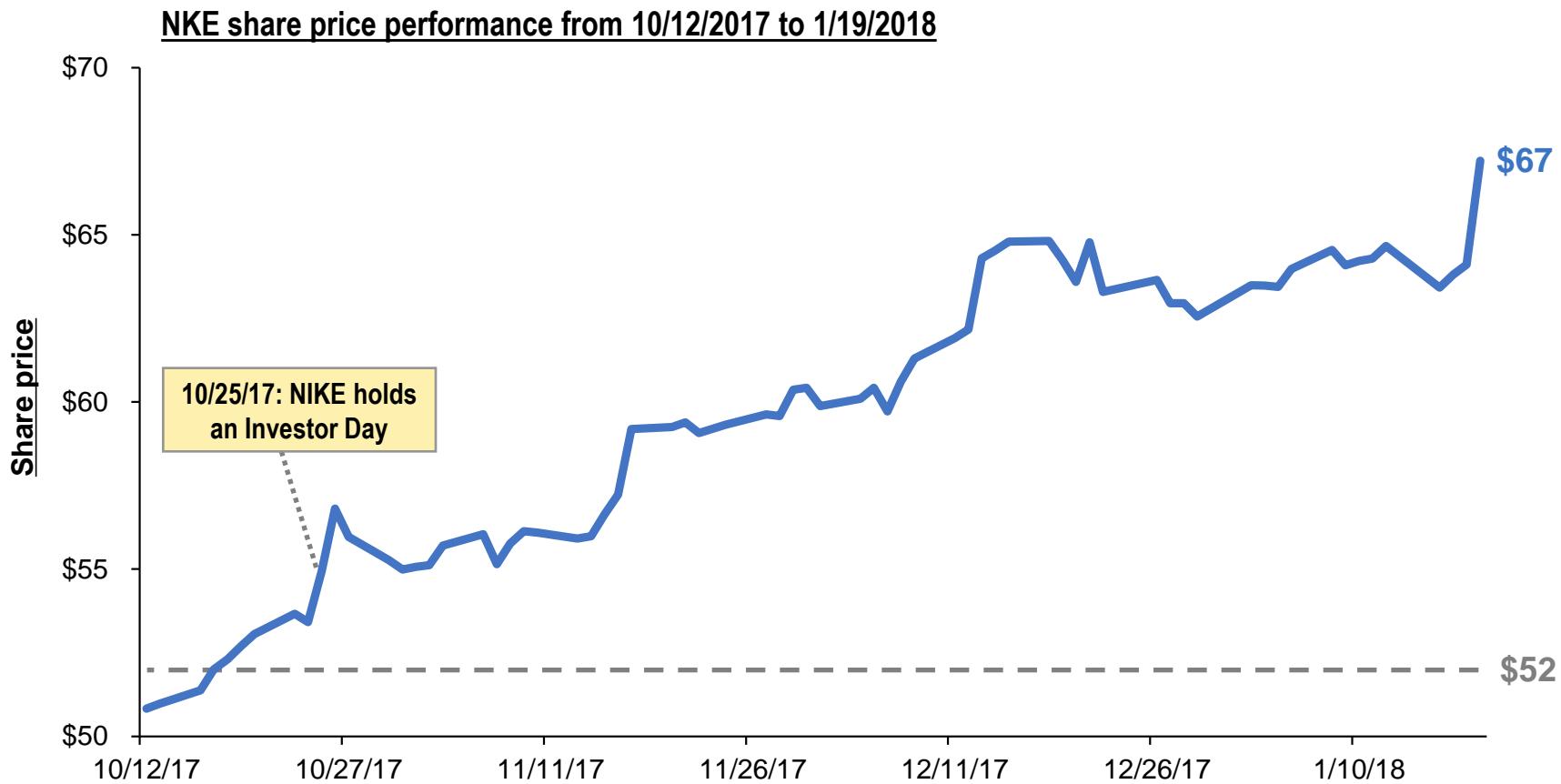


**NIKE is a high quality business that should compound long-term earnings at a high rate due to strong revenue growth and margin expansion**

- ▶ **One of the world's most iconic brands and the market leader in the athletic footwear and apparel industry**
- ▶ **Dominant market position creates formidable barriers to entry**
  - Unmatched marketing spend and brand loyalty
  - Patented innovations and manufacturing skill (primarily footwear)
  - Substantial leverage with suppliers and retailer customers
- ▶ **Athletic footwear accounts for ~67% of revenue and is an attractive industry structure with favorable competitive dynamics**
- ▶ **Historical high-single-digit annual revenue growth rate likely to continue**
  - Positive secular trends of health & wellness and casualization
  - Emerging markets comprise ~30% of revenue and are growing rapidly
  - Pricing power due to strong product innovation and marketing
- ▶ **Margin opportunity due to new manufacturing processes and rapid growth in distribution channels with most favorable economics**

# NKE: Share Price Performance Since Inception

NKE's share price including dividends has increased 29% from our average cost to January 19, 2018



Note: The performance of NKE's share price is provided for illustrative purposes only and is not an indication of future returns of the Pershing Square funds.

# Herbalife Ltd. (“HLF”)



We have converted our short position in Herbalife to in-the-money put options that represent ~2% of capital across the funds<sup>(1)</sup>

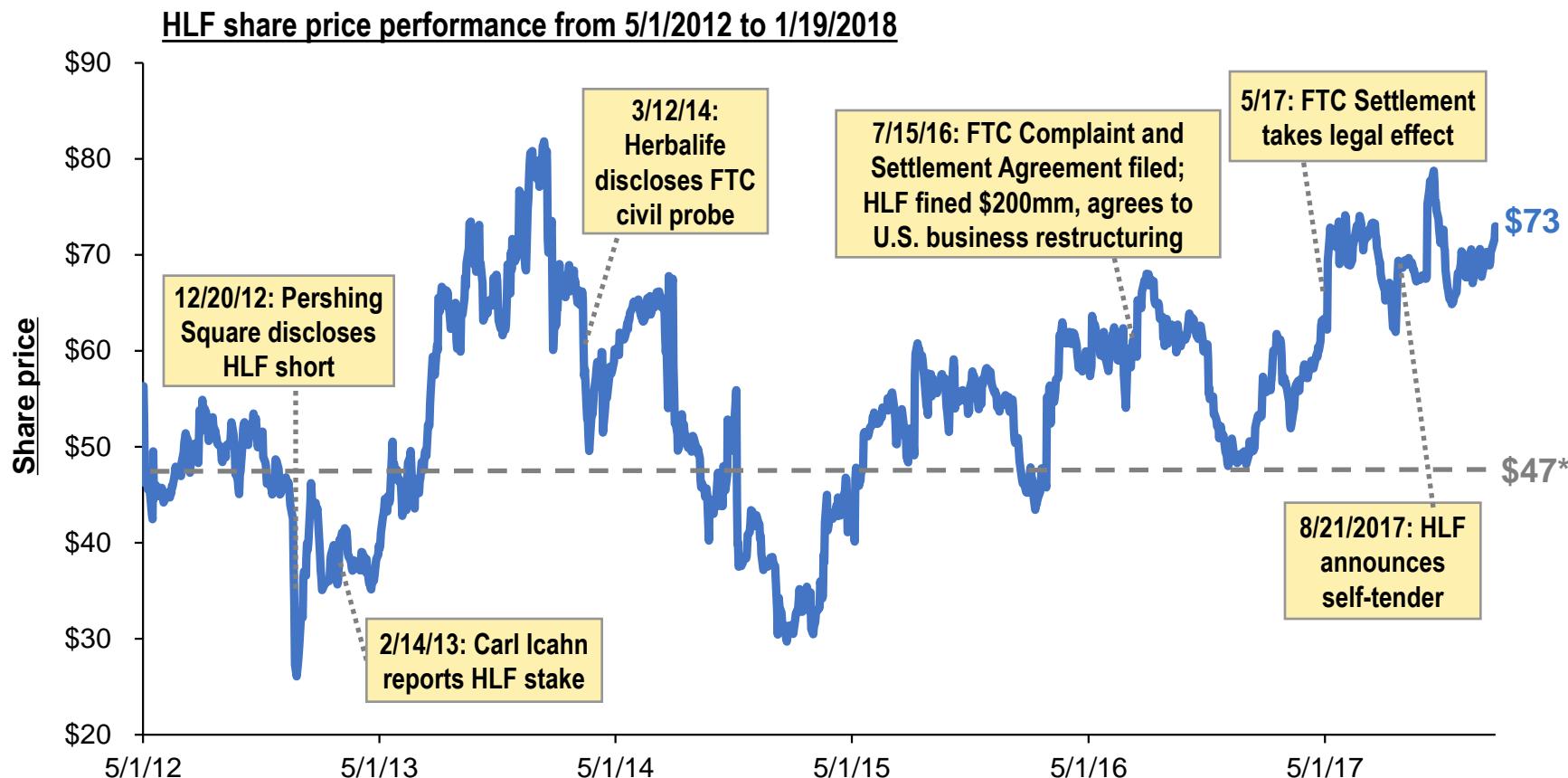
- ▶ **Herbalife’s financial performance has deteriorated significantly in recent years**
  - Despite the company having repurchased ~33% of outstanding shares since we shorted the stock, EPS has declined by ~19% since 2013<sup>(2)</sup>
- ▶ **The FTC settlement, which took effect on May 25, 2017, appears to have severely impacted the company’s U.S. business (~20% of revenue)**
  - U.S. sales for the second and third quarters were down 18% year-over-year
  - U.S. Volume Points continue to sequentially decline
- ▶ **Herbalife’s China business (~20% of revenue) was previously a major growth engine for the company and appears to have flat-lined**
- ▶ **Currently trades at a high valuation in light of low business quality, challenging operational trends, and long-term regulatory risk**

(1) Consolidated exposure across all Pershing Square core funds, including PSLP, PSI, PSH, and PS2.

(2) GAAP and Adjusted EPS are down ~19% and ~16%, respectively, based on management’s guidance for 2017 as compared to Herbalife’s reported 2013 earnings.

# HLF: Share Price Performance Since Inception

HLF's share price has increased 60% including dividends from our average cost at announcement date to January 19, 2018



Note: The performance of HLF's stock price is provided for illustrative purposes only and is not an indication of future returns of the Pershing Square funds.

\*Average cost at announcement date.

## **Exited Positions**

## S&P is an annuity-like business with pricing power, strong secular growth and a margin opportunity

- ▶ **Premier credit ratings and financial data services firm**
  - Credit ratings comprise ~55% of EBIT and data services ~45% of EBIT
- ▶ **Credit ratings is a great business**
  - Credit ratings are a “must-have” for new debt issuance
  - Industry highly consolidated with S&P and Moody’s comprising most of the market
  - Strong network effects create significant barrier to entry
- ▶ **Financial data services is a very attractive business**
  - High recurring revenue stream due to “must-have” proprietary data sets
  - Strong future growth potential requires minimal capital investment
- ▶ **Strong revenue growth supported by pricing power and growth of financial markets**
- ▶ **Management is committed to closing the existing margin gap to peers**

***We exited our investment in S&P because we were unable to establish a full-sized position at attractive prices***

## Other Positions Exited in 2017

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**No<sup>o</sup>mad Foods**

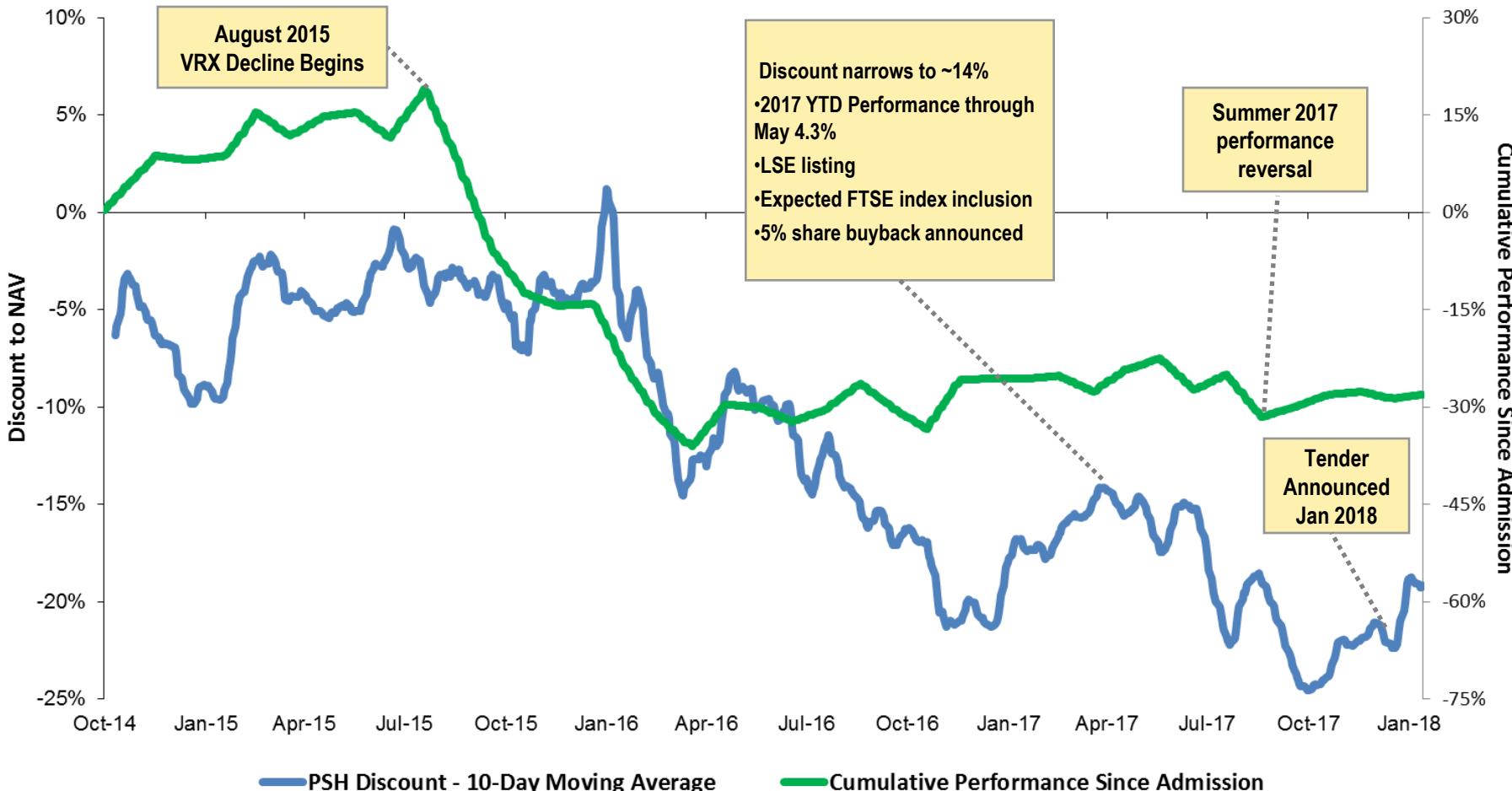
*Undisclosed  
Position*



# **PSH Discount Management**

# PSH Discount History

## PSH Discount to NAV 13 October 2014 – 25 January 2018



# PSH Discount Management Steps - 2017

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- ▶ **In May 2017, PSH was listed on the Main Market of the London Stock Exchange, alongside Euronext Amsterdam, with the objective of widening the pool of prospective investors and increasing liquidity**
  - To date, PSH's average daily trading volume has increased by over 90%
  - The London listing, and subsequent inclusion of PSH in the FTSE 250 Index in June 2017, has helped to broaden the range of PSH investors
  - ~6% of shares outstanding were acquired by the passive index funds
- ▶ **In May 2017, PSH commenced a share buyback program for up to 5% of PSH**
  - To date, PSH has repurchased 5.5M shares at a 20.1% discount to NAV at a cost of \$77.2 million. The current program has remaining capacity to purchase an additional 6.5M shares
  - In November 2017, PSH amended the terms of the buyback program to increase the pace of repurchases by extending the purchase program to include both the LSE and Euronext Amsterdam (average daily buyback volume increased 3x since these amendments were made)

# PSH Discount Management Steps - 2018

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- ▶ In January 2018, PSH and PSCM announced a potential tender offer by PSCM Acquisition Co LLC (affiliates of PSCM) for up to \$300 million of PSH
  - Increases alignment with shareholders (i) represents substantial incremental investment by management, and (ii) fees to investment manager reduced by approximately 8.5%
  - Gives shareholders an opportunity to exit at a premium
  - Open market buyback will commence after tender is completed
  - Permission has been granted by the UKLA
  - Awaiting permission from the AFM which has different rules regarding tenders
  - Further announcements regarding the launch of the potential tender offer, which is subject to the receipt of relevant regulatory permissions, will be made as soon as possible
- ▶ PSH also announced a vote on the removal of the 4.99% ownership limit at the PSH AGM in April 2018
  - This would provide PSH with more flexibility to return capital to shareholders
  - PSCM intends to vote in favor of the removal of the ownership limit

## **Questions & Answers**

# Additional Disclaimers and Notes to Performance Results

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The performance results of PSH and Pershing Square, L.P., the Pershing Square fund with the longest performance track record, funds included in this presentation are presented on a gross and net-of-fees basis. Gross and net performance include the reinvestment of all dividends, interest, and capital gains, and reflect the deduction of, among other things, brokerage commissions and administrative expenses. Net performance reflects the deduction of management fees and accrued performance fee/allocation, if any. All performance provided herein assumes an investor that has been in the Pershing Square funds since their respective inception dates and participated in any "new issues," as such term is defined under Rules 5130 and 5131 of FINRA. Depending on timing of a specific investment and participation in "new issues," net performance for an individual investor may vary from the net performance as stated herein. Performance data for 2017 is estimated and unaudited.

Pershing Square, L.P.'s net returns for 2004 were calculated net of a \$1.5 million (approximately 3.9%) annual management fee and performance allocation equal to 20% above a 6% hurdle, in accordance with the terms of the limited partnership agreement of Pershing Square, L.P. then in effect. That limited partnership agreement was later amended to provide for a 1.5% annual management fee and 20% performance allocation effective January 1, 2005. The net returns for Pershing Square, L.P. set out in this document reflect the different fee arrangements in 2004, and subsequently. In addition, pursuant to a separate agreement, in 2004 the sole unaffiliated limited partner paid Pershing Square an additional \$840,000 for overhead expenses in connection with services provided unrelated to Pershing Square, L.P. which have not been taken into account in determining Pershing Square, L.P.'s net returns. To the extent such overhead expenses had been included in fund expenses, net returns would have been lower.

The market index shown in this presentation, the S&P 500, has been selected for purposes of comparing the performance of an investment in the Pershing Square funds with a well-known, broad-based equity benchmark. The statistical data regarding the index has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The index is not subject to any of the fees or expenses to which the Pershing Square funds are subject. The funds are not restricted to investing in those securities which comprise this index, their performance may or may not correlate to the index and it should not be considered a proxy for the index. The volatility of an index may materially differ from the volatility of the Pershing Square funds' portfolio. The S&P 500 is comprised of a representative sample of 500 large-cap companies. The index is an unmanaged, float-weighted index with each stock's weight in the index in proportion to its float, as determined by Standard & Poors. The S&P 500 index is proprietary to and is calculated, distributed and marketed by S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC), its affiliates and/or its licensors and has been licensed for use. S&P® and S&P 500®, among other famous marks, are registered trademarks of Standard & Poor's Financial Services LLC. © 2015 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.

The performance attributions to the gross returns provided on pages 11 and 12 are for illustrative purposes only. On page 11, each position with contribution to returns of at least 50 basis points (when rounded to the nearest tenth) is shown separately. Positions with smaller contributions are aggregated. On page 12, each position detracting 50 basis points (when rounded to the nearest tenth) or more from returns is shown separately. Positions detracting less than 50 basis points are aggregated. Returns were calculated taking into account currency hedges, if any. At times, Pershing Square may engage in hedging transactions to seek to reduce risk in the portfolio, including investment specific hedges that do not relate to the underlying securities of the company in which the Pershing Square funds are invested. Unless otherwise noted herein, gross returns include (i) only returns on the investment in the underlying company and the hedge positions that directly relate to the securities that reference the underlying company (e.g., if Pershing Square, L.P. was long Company A stock and also purchased puts on Company A stock, the gross return reflects the profit/loss on the stock and the profit/loss on the put); (ii) do not reflect the cost/benefit of hedges that do not relate to the securities that reference the underlying company (e.g., if Pershing Square, L.P. was long Company A stock and short Company B stock, the profit/loss on the Company B stock is not included in the gross returns attributable to the investment in Company A); and (iii) do not reflect the cost/benefit of portfolio hedges. These gross returns do not reflect deduction of management fees and accrued performance fee/allocation. These returns (and attributions) do not reflect certain other fund expenses (e.g., administrative expenses). Inclusion of such fees/allocations and expenses would produce lower returns than presented here. Please refer to the net performance figures presented on page 8 of this presentation.

Share price performance data takes into account the issuer's dividends, if any. Share price performance data is provided for illustrative purposes only and is not an indication of actual returns to the Pershing Square funds over the periods presented or future returns of the funds. Additionally, it should not be assumed that any of the changes in share prices of the investments listed herein indicate that the investment recommendations or decisions that Pershing Square makes in the future will be profitable or will generate values equal to those of the companies discussed herein. All share price performance data calculated "to date" is calculated through January 19, 2018.

Average cost basis is determined using a methodology that takes into account not only the cost of outright purchases of stock (typically over a period of time) but also a per share cost of the shares underlying certain derivative instruments acquired by Pershing Square to build a long position. "Average Cost" reflects the average cost of the position that has been built over time as of the "Announcement Date" which is the date the position was first made public.

The average cost basis for long positions has been calculated based on the following methodology:

- (a) the cost of outright purchase of shares of common stock is the price paid for the shares on the date of acquisition divided by the number of shares purchased;
- (b) the cost of an equity swap is the price of the underlying share on the date of acquisition divided by the number of underlying shares;
- (c) the cost of an equity forward is the reference price of the forward on the date of acquisition divided by the number of underlying shares;
- (d) the cost of call options that were in the money at the time of announcement is (except when otherwise noted) (i) the option price plus the strike price less any rebates the Pershing Square funds would receive upon exercise divided by (ii) the number of shares underlying the call options;
- (e) call options that are out of the money at the time of announcement are disregarded for purposes of the calculation (i.e., the cost of the options acquired are not included in the numerator of the calculation and the underlying shares are not included in the denominator of the calculation);
- (f) the cost of shares acquired pursuant to put options sold by the Pershing Square funds, where the underlying stock was put to the Pershing Square funds prior to the time of announcement, is (i) the strike price of the put options paid when the shares were put to the Pershing Square funds less the premium received by the Pershing Square funds when the put was sold divided by (ii) the number of shares received upon exercise of the put options; and
- (g) premium received from put options written by the Pershing Square funds where the underlying stock was not put to the Pershing Square funds, and the option was out-of-the money at the time of announcement are included in the numerator of the calculation.

# Additional Disclaimers and Notes to Performance Results

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With respect to MDLZ, "average cost" does not account for the unwinds of certain of the equity forwards and subsequent purchases of call options on July 29, 2015 and August 5, 2015 (see trading exhibit in our August 6, 2015 13D filing).

In relation to Herbalife, the average basis of the short position established by Pershing Square has been calculated based on (i) the proceeds received from the shares sold short divided by (ii) the number of such shares before announcement of the transaction.

Percentages of capital provided herein are as of January 19, 2018 and are calculated using market values of the positions across all Pershing Square funds, including PSH, which issued in June 2015 \$1 billion of Senior Notes due 2022 at an interest rate of 5.5% per annum.

Past performance is not necessarily indicative of future results. All investments involve the possibility of profit and the risk of loss, including the loss of principal. This presentation does not constitute a recommendation, an offer to sell or a solicitation of an offer to purchase any security or investment product. Nothing contained herein constitutes investment, legal, tax or other advice nor is it to be relied on in making an investment or other decision. All information is current as of the date hereof and is subject to change in the future.

## Forward-Looking Statements

This presentation also contains forward-looking statements, which reflect Pershing Square's views. These forward-looking statements can be identified by reference to words such as "believe", "expect", "potential", "continue", "may", "will", "should", "seek", "approximately", "predict", "intend", "plan", "estimate", "anticipate" or other comparable words. These forward-looking statements are subject to various risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Should any assumptions underlying the forward-looking statements contained herein prove to be incorrect, the actual outcome or results may differ materially from outcomes or results projected in these statements. None of the Pershing Square funds, Pershing Square or any of their respective affiliates undertakes any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by applicable law or regulation.

## Risk Factors

Investors in PSH may lose all, or substantially all, of their investment in PSH. Any person acquiring shares in PSH must be able to bear the risks involved. These include, among other things, the following:

- PSH is exposed to a concentration of investments, which could exacerbate volatility and investment risk;
- Activist investment strategies may not be successful and may result in significant costs and expenses;
- Pershing Square may fail to identify suitable investment opportunities. In addition, the due diligence performed by Pershing Square before investing may not reveal all relevant facts in connection with an investment;
- While Pershing Square may use litigation in pursuit of activist investment strategies, Pershing Square itself and PSH may be the subject of litigation or regulatory investigation;
- Pershing Square may participate substantially in the affairs of portfolio companies, which may result in PSH's inability to purchase or sell the securities of such companies;
- PSH may invest in derivative instruments or maintain positions that carry particular risks. Short selling exposes PSH to the risk of theoretically unlimited losses;
- PSH's non-U.S. currency investments may be affected by fluctuations in currency exchange rates;
- Adverse changes affecting the global financial markets and economy may have a material negative impact on the performance of PSH's investments;
- Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect PSH's business, investments and results of operations;
- Pershing Square is dependent on William A. Ackman;
- PS Holdings Independent Voting Company Limited controls a majority of the voting power of all of PSH's shares;
- PSH shares may trade at a discount to NAV and their price may fluctuate significantly and potential investors could lose all or part of their investment;
- The ability of potential investors to transfer their PSH shares may be limited by the impact on the liquidity of the PSH shares resulting from restrictions imposed by ERISA and similar regulations, as well as a 4.99 per cent. ownership limit;
- PSH is exposed to changes in tax laws or regulations, or their interpretation; and
- PSH may invest in United States real property holding corporations which could cause PSH to be subject to tax under the United States Foreign Investment in Real Property Tax Act.