Glass Lewis Proxy Talk
ASM International Proxy Contest with Management
Moderator: Robert McCormick, Chief Policy Officer, Glass, Lewis & Co. LLC
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OPERATOR: Good day, ladies and gentlemen, and welcome to the Glass Lewis Proxy Talk conference call. All lines have been placed on a listen only mode for this call. Institutional investors that would like to ask questions of the participants may do so by e-mailing them to proxytalk@glasslewis.com.

Before we get started, I would like to remind everyone that our conference call series, and this call in particular, should not be considered a solicitation of proxies by Glass Lewis & Company. Glass Lewis has not sought permission to do so from the Securities and Exchange Commission nor will it. This call is for informational purposes only and should not be construed as providing investment advice. In addition, Glass Lewis makes no representation regarding the accuracy, completeness or reliability of any statement, information, opinion, or view presented by it's guest speakers. As a reminder, this conference call is being recorded.

At this time, it is my pleasure to turn the call over to our host, Robert McCormick, chief policy officer of Glass Lewis & Company. Sir, the floor is yours.

ROBERT MCCORMICK, CHIEF POLICY OFFICER, GLASS LEWIS & COMPANY: Thank you very much. Hello, everyone, and welcome to Proxy Talk. Today, we'll be discussing the proxy contest at the Dutch company, ASM International. We'll hear from ASM's management, including CEO, Charles del , about why, in their view, the currency supervisory board and management team have the relevant industry experience and better plan to further the company's long term growth prospects and why they feel that removing the incumbent directors from the supervisory board, as well as replacing the CEO, would be risky, disruptive, and harmful for the plan to improve profitability.

Joining me on the call are CEO, Charles del , President, as well, of ASM International. He is joined by two colleagues from ASM International, Naud van der Ven, the CFO, as well as, Erik Kamerbeek , director, international programs and investor relations.

First a little background before I turn it over to Mr. del for some opening comments. ASM is facing a proxy contest initiated by a dissident shareholder, Hermes, which owns about 15 percent of the company. Hermes wants to remove five members of ASM's supervisory board that are not up for election this year with three of its own candidates. Further, Hermes also wants to remove ASM's current CEO, Mr.Charles del , from the management board and to elect Mr. Farhad Moghadam to the management board with the ultimate intention of replacing Mr. del with Moghadam as CEO. Hermes believes briefly that ASM has not addressed the chronic losses of the company's front end business adequately despite a public commitment made in 2006 to focus on the profitability in these operations.

ASM’s annual general meeting is scheduled for May 21st, 2008. And just to remind everyone, if you have any questions today, feel free to e-mail them to us at proxytalk@glasslewis.com. You should have received a presentation and press release from the company in your invitations. But at this point, I would like to turn it over to Mr. del for some opening comments.

Chuck, why don't you go ahead?

CHARLES DEL , CEO, ASM INTERNATIONAL: Yes, thank you, Robert. So thank you all for joining this call and for the opportunity to talk to you today. Also, on behalf of my colleagues Naud van der Ven and Erik Kamerbeek.

In the past week, we did present our roadmap to front end peer group profitability and release our Q1 results, which together we feel provided a good indication of the progress of the company and the organizational changes we are making backed by our commitment to shareholders to grow the company in a responsible way as ASM enters into this next stage of its evolution. Let us briefly walk you through the last eight years to put ASM's development of the front end in the right perspective. I will do that rather quickly.

So in 1998, ASM finally was able to settle a patent litigation case with Applied Materials that cost us about $120 million. As a result of that, the company was financially really crippled for quite a few years. ASM's focus, as a result of that, has been from 2001 until 2005 to really reposition its front end product portfolio and 300 millimeter and we did that supported by ASM PT dividends and that was a very conscious choice because there were no other financial resources available to the company to rebuild front end.

So looking at the ASM front end division now, actually, this conscious rebuilding phase has resulted in a company now that, first of all, has very industry wide recognition as a technology and IP powerhouse, also recently again by a new ranking by IEEE. We are also a company that has now four established number one to number three rankings in all four established market segments. We also – it's also clear that all of the front end segments we are in are expected to grow faster than the overall market. We are a supplier to all top 10 global IC manufacturers and also, we built a very strong manufacturing foothold/infrastructure in Singapore since 2004 to drive our gross margins very, very strongly. And again, our front end manufacturing organization in Singapore is a hub, it is – it's really a hub that radiates to lower cost countries like Malaysia, China and India.

Since 2006, we have been refocusing our efforts from the building phase, the building of products, the building of our customer base, and the building of our strong infrastructure to really driving profitability. And our initial commitments in terms of profitability in 2006 to the outside market were to be EBITDA positive in 2006, to achieve net earnings positive results in 2007 and also, to not use ASM PT dividends for front end purposes for at least three years, for 2007, 2008 and 2009. And we stuck to all of those commitments so far.

And is this enough? Are we proud of the results achieved so far? No. But very important to you must be that we did meet our commitments and in that respect, I found it very, very disappointing to hear that some of our opponents made statements – misleading statements and incorrect statements- that ASM is a company with a long string of broken promises. Very disappointing to us because as we just shared with you, these commitments and our achievements to those commitments don't really reflect that.

And the last financial commitment we made in 2006 was to get to peer profitability in 2009 in terms of EBIT margin/operating margin. And in that context, last week, we presented this roadmap to front end peer group of our profitability in 2009. And this roadmap was not in response to the Hermes proposal. No. Just in response to our own commitment made in 2006 and the most logical moment to come with this plan was after meeting the 2007 net earnings commitment and also after me stepping up to my role as CEO as of March 1st this year. And many of the items presented in our roadmap could have never been presented last week without having started these activities back in 2007. The focus as of the moment I came back from my US assignment to the Netherlands late August in 2007. So it is not only a plan, we are already in the execution phase at this moment in time.

However and that's interesting to mention, of course, we did validate our plan by looking at the Hermes plan. Of course, we did that and we could only conclude that we all agree on the fact that we have great products and that those products have very strong potential. So that was good to validate that in the Hermes plan. And looking at the plan in a little bit more detail, it's a very solid plan, based on current market assumptions, our targets include, just summarizing quickly, improving our margins to peer levels by 2007 versus our base year 2007 and our gross margins are up with 5 to 7 percent, up to 37 to 39 percent and our operating margins improve by 7 to 10 percent to 11 to 13 percent. Those are our targets that we communicated last week.

And that in euro, in absolute euro numbers, that means an EBIT improvement of over 40 million euro versus 2007. And those plans have clear underlying improvement programs specified and quantified in detail in the roadmap and you can look at that roadmap in detail on our Website under the investor tab. And also what the plan consists of is achieving operating margins in the top half of our peer group by 2010 and beyond. To further improve our cash conversion, we are targeting relative working capital reductions of 25 percent by 2009 and also, a net CapEx improvement. We are also limiting our net CapEx to 30, 35 million euro for the combined period of ‘08 and ‘09.

So summarizing our plan, it is – our plan is ambitious, but also realistic, achievable and deliverable. It is, in our opinion, the only realistic achievable option for value creation that is on the table at this moment in time. We assume to outgrow the market in terms of revenue. At the same time, the EBIT growth compared to ‘07 is most strongly driven by solid gross margin percentage improvement plans and strong op ex control. And of course, the ambitions of our global management team don't stop here in terms of further improving our EBIT margin and our top line, but as management, we have a fiduciary responsibility to our customers and all shareholders to insure our estimates are realistic and achievable.

So just briefly on the organization and operating highlights of the plan, also the plan includes the creation of a truly global organization which focuses on operational execution and commercialization of our strong product portfolio. It also introduces three vice presidents, vice presidents of global sales and service and we shared the appointment with the market last Monday and this vice president will start next Monday and so, again, execution is there. And we also announced the vice president of global operations and a vice president of front end products. We are reviewing our incentive structure and alignment to the new organization very important also and we are divesting two loss making product lines, RTP and Nano. And finally, we also announced closure of our head office in Bilthoven and are going to consolidate those operations in Almere.

So let me try and give you a flavor, finally, of some key things which underpin these numbers. So we will drive value for shareholders by accelerating revenue growth through pushing our sales culture and secondly, further improvement in our operating efficiency. And at the same time, we are giving customers a much stronger voice in the company. We will maintain our technological strengths, but instill a much more effective sales culture in our organization. And at the same time, everything I shared with you so far should also show that we are willing to make some hard decisions. Again, we closed our head office in Bilthoven, after 40 years, we are going to consolidate that in Almere and we divested two product lines.

So three messages you should take away from our introduction so far. Our plans are ambitious, but also achievable, realistic and deliverable and they have been built up – that we build bottom up by managers, by managers who know our business, who understand ASM, who understand the strengths and weaknesses of our employees and that also understand our customers so that provides continuity. And secondly, what you are seeing is the acceleration of a very significant change agenda, both in terms of the way the company will be run and the speed and urgency with which it delivers on its targets. And finally, we are totally focused on delivering the short term agenda that will deliver value for shareholders, but we also have to keep in mind what will deliver value of the median term and make sure we do not take short term steps that compromise our ability to built long term value. This would be counterproductive and also value destructive.

So that's – Robert, those were some of the introductory remarks that we would like to make.

MCCORMICK: Great. Thank you very much.

I'd like to focus on the plan of it because in our call with Hermes they described the management plan as put forth as too little, too late and you had raised some concerns in your presentation that the dissident plan was impractical based on flawed assumptions, too risky and insufficiently likely to yield the desired results. So I was wondering if you could contrast your plan with the plan from Hermes.

DEL : Well, I think we – as we said before it was very nice to, first of all, to observe that they subscribe to the strong product portfolio that we have and that we are positioned in markets that grow faster than the market as a whole. So that was very nice and that's probably why they are also so interested in the company. At the same time, I think a very important difference with our plan is that most of their EBIT growth is justified by increasing the top line and with us, it's much more substantiated, it's much more solidified by gross margin percentage improvements and op ex control. And so, we base our plan on clear, realistic, detailed assumptions in our cost structure and less on just driving the revenue and so we have – in a certain way, we have taken some more conservative assumptions on revenue, but we think that you shareholders that you – our approach is in a way more realistic. It doesn't mean that we have a much stronger ambition in terms of revenue and that we will drive our operational organization in terms of revenue much harder than what we show here.

But those are, I think, some of the differences and I think some of the ambitious revenue targets they use are also based on – they are not always very realistic projections of how the market will evolve in some product lines.

MCCORMICK: OK. Thanks. Now one of the concerns raised by the dissidents is that the front end business hasn't made any money since 2001 and that in effect the back end business is subsidizing the front end business. So I was wondering if you could comment on those two points they make.

DEL : Well, maybe now I can add to that a little bit, but we tried to address in the introduction and by explaining to you that we went through a patent litigation in the late ‘90s, had to settle for $120 million. It really financially crippled the company and the only way to rebuild, reposition front end and 300 millimeter was to do that with PT dividends. It was the only way to do it. And we don't – we are not saying that we could have done some other things – operational things better in the early 2000's. We made an investment in which did not work out the way we expected, but other ventures worked out very, very well. We invested in micro chemistry, ASM micro chemistry and in Genentech, all ALD investments we made in the late ‘90s and early 2000s and they resulted in our ALD leadership in the market at this moment in time.

But the big picture is that we used those early 2000 years to rebuild the front end organization and build our infrastructure and deal with big customers that we penetrated into in those years. And now, we have changed the focus to profitability and that's no rocket science and we're going to execute. So there – it's not necessary to propose the disruptive measures as Hermes proposes. We know exactly what we need to do and we also know in what parts of the organization we have to improve the talent to address the challenges that come with improving our profitability.

Naud?

NAUD VAN DER VEN, CFO, ASM INTERNATIONAL: And to add to that, in 2006, we made two important commitments; one is net earnings for front end in 2007, which we realized. Front end was profitable on a net earnings level in 2007. That's one. The second commitment is also that we used the ASM PT dividends only for certain specific causes and in 2007, we received 49 million euro as dividend for ASM PT and that dividend has been fully spent on the buyback of convertible for 35 million, buyback of some shares to cover part of the stock option plan for 8.5 million and a first, a cash dividend to 89 shareholders amounting to a total of 5.5 million. So that's – and it was – it was in the commitment made in 2006.

DEL : And finally, Robert, one final remark, we could have never made our commitment in ‘06 to not use PT dividends going forward for ‘07, ‘08 and ‘09 if the management and the supervisory board would not have been confident that we now have entered a different phase of sustained improvement of our profitability of front end. We could have never made that commitment.

MCCORMICK: And you mentioned the crippling effect of the lawsuit with Applied Materials. When was that lawsuit resolved? And are there any lingering liabilities under that that could affect the company?

DEL : No. I think if you look at our roadmap, you also see based on our ranking in terms of patents portfolio. We addressed that briefly also in the introduction. Now then we learned from our – we learned our lessons from the past and our present portfolio is in pretty good shape and so, we don't expect – we are not – we don't expect to be in a situation like that. You, of course, never know, but we think – our opinion is that we are in much better shape from a patent point of view.

MCCORMICK: Now, looking at the overall company's valuation, basically, it looks like according to one report that the market valuation of ASMI is about 83 million euros less than the value of its 53 percent stake in ASM PT. So it looks like there's, in effect, a potential valuation discount assigned to the company's stock given that the back end is effectively carrying or has been carrying the money losing front end business. And is it –do you see a decrease to that valuation discount if the businesses were separate entities and stood on their own?

DEL PRADO: Well, I would like to just make one clarifying statement. Money losing front end. I would like to correct that. We have been making – we were net earnings positive in ‘07. We were EBITDA positive in ‘06. So just to clarify that statement. And then, subsequently, on – yes, of course, we also are very much aware of the undervaluation of the stock and we see it also – and in that respect, we also have the same goal as every shareholder, including Hermes. We see it also as our responsibility towards shareholders to eliminate that undervaluation.

At the same time, we are of the opinion that the most important reason for this undervaluation is very likely the fact that the shareholder's base, in general, has to further improve their confidence in the fact that front end is really on the right track and that we are on the road to sustain profitability. And if you extrapolate that assumption, then it's very likely that when we just continue showing a healthy track record, completely different from the early 2000 years, that that valuation will come back and it could happen very quickly, as soon as a few parties start to recognize that.

At the same time – so that's one. So when we continue our track record in front end, it will come back and we have presented a very solid roadmap here to solidify that improved track record going forward.

And secondly, I also – we also do think that the current – yes – the current – we have had very constructive dialogues with activist shareholders over the last few years and we are also looking forward to keep doing that because we also learn from our shareholders. But I think we have now entered into a much less constructive dialogue, which also puts a lot of risk to the company, to its employees, to its customers. So we are looking forward to getting out of this non constructive dialogue with shareholders as soon as we can. And we are convinced that that is also hurting the share price structurally because it prevents long term shareholders from getting – stepping into the stock when at the same time, they believe in our roadmap.

MCCORMICK: Thanks. Now, I wonder if you can describe the synergies that you see that benefit the company through having both a front end and back end businesses and if those are the sort of synergies that other competitors have used to have both sides of the business.

DEL PRADO: Could you – sorry – could you repeat your question one more time?

MCCORMICK: Sure. I'll make it a single question, not two questions. What sort of synergies do you see that benefit the company from having both the front end and back end operations?

DEL PRADO: Well, we have seen very strong operational synergies over the last few years. If you look at our front end manufacturing Singapore operation, which was a very instrumental organization in driving our gross margins up now within all product lines. That organization would not have been there in the shape it is now without back end because it was started with a core group of back end, using the infrastructure that back end built over the last 25 years. And also, using the infrastructure towards the supplier base in lower cost countries around – surrounding Singapore, we are using their experience there. So that's one.

And we are also now more and more identifying the same customers in some Asian countries. But a very important one, besides operational synergies at this moment in time, is that we do see business conversions as a result of 3D integration a few years out. And I know that some parties don't agree with that, I also know that some of our competitors don't have a clear vision on that, but we do see key customers in the market developing programs on 3D integration and we are a company that is very well positioned to benefit from that down the road. But the most important thing is that the current undervaluation of the stock, in our opinion, is not in any way caused by this phenomenon. It is caused by the credibility that we have to improve on the front end profitability.

MCCORMICK: OK.

DEL PRADO: Naud, you want to add something to that? Or no?

MCCORMICK: Do any of your competitors have the same combined front end and back end leading to synergies at those companies?

DEL PRADO: No. There are very – so that makes ASM unique and I don't know what you – if there's anything you would like to imply with the question, but we should not conclude that because other companies don't have that synergy at this moment in time that it does not make sense for us to do so.

MCCORMICK: One of the comments made by the dissidents on our call was that they are open to sort of all solutions and – because I asked them if they wanted to spin off or split off the companies. And I was wondering, is the splitting up of the company something you considered and decided not to do? Or you just think it's sort of off the table? Are you open to other ideas? Or feel that you've already determined that the synergies are such, that spinning off isn't even up for consideration?

DEL PRADO: Well, I think it is a question which has been discussed with shareholders before. In 2006, we had an EGM in November 2006 in which we had a very intense discussion with our shareholders on the business model, on keeping back and front end in one company and at that time, we got a two to one support of our shareholders– for the company and for management on that. So it has clearly been discussed with shareholders before and at that time, we got a very clear majority for our direction.

MCCORMICK: Now, thanks so much. I'm going to turn to some of the performance goals you've discussed. Looks like your EBIT margins are still below some of the peer averages and I was wondering if you can discuss why that is and when you expect those to be matching closer to your peers?

DEL PRADO: So we showed in our roadmap that we are indeed a 3.4 percent EBIT margin at this moment in time and that we are going to grow to 11 to 13 percent and compared to the peer group that we defined that has an average EBIT margin in 2007 of 9 percent. So in that respect, we did raise the bar substantially going into ‘09. If your question is also referring to did we define the right peer group or should we have raised the bar in terms of the definition of the peer group, we clearly in our roadmap plan, again, it's available on our Website, we clearly explained why we chose this peer group and we did not include companies like Applied Materials in our peer group and some people have asked us that and we understand the question. But we think it's not the right comparison if you put a company in your peer group that has a top line that is five to 10 times higher than yours and while you at the same time cannot benefit from the same – you don't have the same scale benefits as they have.

At the same time, we did include a few parties in our peer group that have a two or three times higher top line than ours. So we did not make ourselves easy at all. Does that answer your question?

MCCORMICK: Yes. Thanks. But if I can pick up on that theme, one of the contentions of the dissidents is that you actually had changed the peer group in 2006. I was interested in the process to determining who is the right peer group, beyond just your prior description, was there a change? And what was the reasoning behind that change?

DEL : It is a fair question. We just looked, again, at that moment in time when we said that we would – in '06 when we announced that we would work towards peer operating performance in '09, at that moment in time, we did not in detail explain our peer group. We did not put any numbers to our commitment and we said that we would specify our commitment in this respect more in detail when we would get closer to '09. And as we just explained in the introduction, the most logical moment to do that was to do that after meeting our 2007 net earnings target. And that's where we are now.

And so, we just think that based on the criteria that we used to define the peer group, which are also explained in the roadmap, that items like parameters, like scale, and market leadership are the right parameters to define your peer group. That's it.

MCCORMICK: OK. Now in terms of the goals you talked about being achievable. I was wondering, is there a history at the company of hitting similar goals with target margins or revenue growth?

DEL : Well, again, I think the most important track record that we built is that we committed, as we said '06 EBITDA positive, '07 net earnings positive, not to touch our PT dividends. Now, we did that. We stuck to our commitments. I think that's the best indication that this management team is not making commitments and then not living up to it. And Naud wants to add something.

VAN DER VEN: Yes. If you look at the sales growth over the past five or seven years, we have outgrown the market. So that I think is clear proof that we are able to outgrow the market.

DEL PRADO: But our ambition in the coming years, as stated in the roadmap, goes further than outgrowing the market. And that's also what we – and that's why we are strengthening our sales organization and because besides outgrowing the market, we want to grow our market share in certain areas more aggressively than we have done so far.

MCCORMICK: OK. Next, turning to some of the comments you made in the roadmap, points out some potentially challenging times in the next couple of years based on projections. You quoted a Gartner study of showing the market dropping 17 percent, while recovering in 2009, 2010 and you indicate that the market expected to decline by 9 percent in 2007 to 2009. And how has that affected your forecasts and your expected performance?

DEL : Well, we have just taken those assumptions into account in defining our revenue target. If you combine minus 17 in '08 with plus 9.8 that Gartner projects in '09, you basically come to a level of only 91 percent of the '07 level. Yes? And we did not set our revenue target on 91 percent of our revenue target for '07. We defined the stretch goal between 440 and 480, that's how we dealt with it.

MCCORMICK: OK. Now, turning to some of the issues that relate more specifically to corporate governance. Obviously, the company faced a proxy contest in 2006 and at that point, there was talk then about splitting up the company. And it looks like there have been some changes made since then, but it seems a bit more of a recent variety in terms of the new vice presidents, the changes to the executive ranks and I was wondering, why those changes weren't made earlier and were there commitments made in response to the proxy contest that you still haven't addressed or you're still in the process of addressing?

DEL : Yes. To be honest, we do not fully understand the question and I'm sorry, Robert.

MCCORMICK: OK. That's fine. Sorry. It was a little long. Basically, as a result of the contest in 2006, were there commitments made to either change corporate governance structures at the company? And if so, some of those took the form of new executives and why did it take so long for those new executives to be appointed if these commitments were made back in 2006? Was there recognition that were some issues back in 2006? Why was it – the new executives appointed more recently? Why not back in 2006?

DEL PRADO: Well, I think we – of course, if you look back, Robert, and then we could have always, but probably you have that also in your life and your work that you – where you look back and you know what you know today, then you would have made different decisions in some areas a year ago. And it's the same with us. We also learn as we go, but at the same time, we – I can only say that the organizational changes that we have announced now have been part of a change program that I personally have driven since I was asked to come back to the Netherlands to prepare for this new CEO role. And unfortunately, I never felt – I didn't feel since I came back late last year that we still had a really open dialogue, a really open mind with some of our activist shareholders. They already had moved on to a different path. And I'm not saying that I do not understand their concerns and some of the concerns they had based on the track record in the past, I'm not disqualifying those and we take those seriously and we will also take those seriously going forward and we are also willing to pick up an open dialogue again with investors like Hermes when they choose to do so.

But so this organizational – new organizational scheme has been developed since I came back to Europe together with the whole management team and we chose to roll it out as part of my – of the new management team taking on their responsibility as of March. And that's the way it is and yes, if you still would like to challenge us, why didn't you do that two years ago? It's a fair question. We didn't.

MCCORMICK: OK. Specifically some of the concerns raised by the dissidents is that some of the provisions of the Dutch corporate governance code have not been met by the company and in particular, there is a provision which provides the CEO of ASM with more power than the combined management board. Are those – was that a change you would consider making? And is there a consideration of being fully compliant with the Tabakslat?

DEL : Yes. We are aware of that and I think I heard that this arising from Hermes and that it also mentioned that in your call, that's what I understood. And what I recall from my present discussion at that moment in time with Hermes was that I said, well, I'm aware of it and I don't think it has – that it has the highest priority for us to work on in reaching – in driving our profitability to where our shareholders want it to be. That's what I said at that moment in time. And I am still of that opinion, but it doesn't mean that I would be open to discuss that in more detail. But I do think there are more important items to focus on in the interest of shareholders to drive profitability up and I think it in no way withholds us or limits us or slows us down in strengthening the team with ASM. I think that has been shown in America when I worked there for five years, that we strengthened the organization together with very strong talent that we already had in that organization and we are showing that here also. Last Monday, we announced Tom Wu joining us as vice president of global sales. We worked on that search for many, many months. He brings a strong track record in the industry to the company and we will continue to do so in other areas.

MCCORMICK: OK. Now, moving on you mentioned certainly some dialogue with Hermes and obviously, they own 15 percent of the company and the nominees that they have put forth have experience in the industry, some, very extensive. Given the size of the ownership that they hold of the company and the experience of some of their nominees, did you consider expanding the board to include some of their nominees in addition to your own?

DEL : Absolutely. Absolutely. We had discussions with them and we absolutely offered Hermes to – we told them and our supervisory board – our chairman of the supervisory board told them that we would be willing to consider expanding our supervisory board with possibly one of the members of the industry team. But unfortunately, Hermes position was it was either – it was the CEO change and the complete change of the board – supervisory board or nothing. There was, unfortunately, there was no compromise to be found there.

MCCORMICK: OK.

DEL : And also, the only thing we said that replacing the CEO was non negotiable and it has to do with the fact that the supervisory boards made clear statements that they went through a diligent process to appoint the current CEO, which is in position only since March 1st, and that they did not go through that process to even before the person would be in charge, to already change that decision.

MCCORMICK: OK. Thanks. I want to get in a question we got from one of our clients. You talked about that the company has been able to make its commitments that it has set, but they're curious as to why the stock has still declined since October of last year.

DEL PRADO: Yes. Well, I – again, we think that the stock has – by the way, has moved up significantly over the last few months and of course, you can discuss what caused that increase, but I – if you read the analyst reports that recently have come out by many analysts, then they say that they also subscribe the solid structure and framework of our plan and that that also supports their changed recommendations on the stock. So I think we trust that when this disruptive proposal that is put on the table by Hermes will not fly and the dust settles, that we then get the peace of mind to just focus on executing this plan and then, we trust that at some point in time the overall shareholder base will recognize the appropriate value and that the stock will then recover to the level it needs to.

MCCORMICK: In your discussions with your shareholders during this AGM season, we recognize that Hermes owns 15 percent versus 10 percent has reported at Centaurus shares some of the sympathies and they own 7.2 percent. So it's a significant chunk of shareholders that have some public concerns with the company. I was wondering if you can get a sense from – if you can provide us some information on shareholders who have expressed support for the company, if that's something that you are able to share with us.

DEL PRADO: Well, I think we never talk about – of course, Hermes is an exception because they chose to go into, let's say, a public dialogue with us ourselves – by themselves. But in general, we think it's not appropriate to discuss individual shareholder discussions in public. But we're happy to encounter the shareholders that support the plan and that look and have discussions with us in a constructive way and we are looking forward to more shareholders joining that way of dialogue.

MCCORMICK: OK. And we have another question from a client. The client's wondering, were there any other strategic alternatives, including potentially a private equity sale or taking the company private to enhance its performance? Or avoid perhaps undervaluation by shareholders?

DEL PRADO: Well, I think there is – I think it's – yes, that question I don't think there is any sensible answer we can give on that. But the only thing we can guarantee shareholders is that we are – we clearly feel that we have a responsibility to look at all available possibilities that – to improve the shareholder's value and that also serve the medium and long term interests of all of our stakeholders. And we are doing that day in day out.

MCCORMICK: OK. Well, I think I'd like to close there and certainly, want to offer you a couple of minutes if you'd like to sum up your position.

DEL : I think that we addressed most of the things we also introduced our – we made our pitch in – during the introduction also clearly and the only thing we would like to conclude on is that we trust that today we, again, were able to radiate as a management team, Naud van der Ven, CFO, Erik Kamerbeek, investor relations and myself, that we are convinced that we have a solid plan in place that is on one hand ambitious, at the same time, achievable, realistic and deliverable. And again, that we – this team also represents the right amount of change that the company needs to now drive our profitability targets after rebuilding the company and that it's also the alternative that provides the best continuity to it's current employees, it's current customers and ultimately, also to the shareholders. And it's a much better alternative to support than the other proposal that in our opinion is very disruptive and also holds much more risks in it than some of people in the outside world have put on it so far.

That's what we would like to conclude this meeting with and I would like to thank everybody for taking the time to join this Proxy Talk.

MCCORMICK: Great. Well, thank you, Chuck, Naud, and Erik, for joining us and taking us through your thoughts and answering our questions. And thanks to all of you who participated in the call.

And just in general, if you have any comments or suggestions for future Proxy Talks, please e-mail them to us at proxytalk@glasslewis.com. But at this point, the conference call has ended and we appreciate your participation. Thank you very much and have a good day.

OPERATOR: Thank you. This does conclude today's teleconference.

DEL : Bye-bye.

OPERATOR: We thank you for your participation. You may disconnect your lines at this time and have a great day.

END