

Today's featured company is:



STEEL PARTNERS HOLDINGS L.P.

www.steelpartners.com

Preferred Shares Offer Attractive Yield and Structure for Investors: Building Value and Income Through Steel Partners Preferred Units

(NYSE: SPLPPRA)

Steel Partners Holdings is a diversified global holding company that owns and operates businesses in three principal sectors: Diversified Industrial Products, Energy Services, and Financial Services. The company also holds significant interests in four publicly traded companies: Aerojet Rocketdyne (5.3%); Aviat Networks (12.5%); Babcock & Wilcox (17.8%); and Steel Connect (45.9%).

Steel Partners Preferred units currently have a remaining term of approximately seven years, a \$25 liquidation value, and provide quarterly cash flow with a 20% redemption in 2020 and the remainder in 2026. The current yield to maturity is approximately 9%. The company's common units trade on the New York Stock Exchange under symbol SPLP.

- Management ownership of Preferred units: 12%; management ownership of Common units: 54%
- Strong free cash flow and balance sheet, with total cash and investments of \$335 million as of September 30, 2018
- 2017 revenue of \$1.4 billion; 2018 reported guidance of \$1.5–\$1.6 billion
- 2017 adjusted EBITDA of \$164 million; 2018 reported guidance of \$180–\$188 million
- 4,800 employees and 75 locations across 8 countries as of December 31, 2017
- Culture of continuous improvement and implementing lean manufacturing tools

[Click here to view the Partners Holdings Investor Presentation.](#)

Advisor Access spoke with **Jack Howard**, President of Steel Partners Holdings.

Advisor Access: *Why are Steel Partners' Preferred units an attractive investment vehicle?*

Jack Howard: With the strong foundation of Steel Partners Holdings, we believe our Preferred units, with a nine-year term and paying 6% quarterly cash distributions, are highly attractive. They offer solid returns, currently yielding about 9%, with two upcoming redemptions, one in 2020 and the other in 2026. Particularly in today's market environment, we look at the Preferreds as a conservative investment vehicle with very nice upside.



AA: Let's talk about that foundation. Please describe what Steel Partners Holdings does.

JH: Steel Partners Holdings is a holding company with three principal business segments. Our largest, Diversified Industrial, represented about 84% of our total revenues in 2017. This segment manufactures motion control and power quality equipment; building and joining materials; and laminates and foils. It serves the broad industrial marketplace, including three specific customer sectors: commercial and residential construction; consumer products and industrial packaging; and aerospace and defense. Within our markets, our industrial products are well known and respected brands.

Our Energy Services segment represented about 10% of last year's revenues, and provides well servicing and production services to established customers in seven states.

The remainder of our revenue, approximately 6% in 2017, was derived from our FDIC-insured state-chartered industrial bank, WebBank. Offering customized financing solutions nationwide, WebBank serves as the "behind-the-scenes" consumer lender through strategic partnerships with major consumer products companies and consumer lenders offering their own private-label credit facilities.

Finally, through what we call the Steel Business System, Steel Partners deploys a collection of Lean Manufacturing and Six Sigma tools to guide our growth and culture throughout the organization.

AA: How do you best describe the company's growth strategy? What kinds of companies are you looking to acquire?

JH: We look both to growing organically and by acquisition. With our holding company structure, we provide financial, legal, human resources, IT, and other services at the corporate level, allowing the management teams at each of our business units to concentrate on running and growing operations.

In terms of acquisitions, we invest in great companies with respected brands, and pay prices that have built-in margins of safety. We look for bolt-on acquisitions as well as new platforms, and make selective investments where we see significant upside potential—and often the eventual opportunity to buy the entire company.

Philosophically, we avoid complex businesses or investments that cannot be easily explained or understood. Steel Partners is a value investor, and we seek companies that fit that characterization.

“Steel Partners is a value investor, and we seek companies that fit that characterization.”

AA: What is the culture like at Steel Partners?

JH: We are very conscious of culture, and over the years have created what we believe to be a unique environment for our 4,800-plus member global team. That environment is close-knit, collaborative, and in alignment with our mission of growing profitably and in a prudent manner for the benefit of all stakeholders.

The methodology we use to invest and manage our businesses is called the “Steel Way.” From strategy deployment to lean manufacturing to wellness and environmental health and safety programs, we are committed to empowering our employees, holding them accountable, and rewarding them for success.

We are constantly focused on our value proposition to the customer, including safety, quality, delivery, inventory, and productivity. We emphasize the importance and value of our team, and continuously develop our people to reach their potentials, distinguishing ourselves by our leadership development, global opportunities, and our commitment to our employees' health and wellness.

“We are constantly focused on our value proposition to the customer, including safety, quality, delivery, inventory, and productivity.”

AA: Tell us about Steel Partners common units.

JH: Of course, I am admittedly biased in my belief that our common units are highly undervalued. But there are numerous and diverse components to Steel Partners Holdings. Many of our businesses are worth far more than their cost-based carrying value. Combined, on a conservative calculation, they are worth significantly more than the current unit price valuation ... we believe, by a factor of more than double.

AA: What have we forgotten to ask? Are there any final thoughts you wish to convey?

JH: Steel Partners is still a relatively unknown, and we believe, undiscovered company. We have a highly talented, motivated, hard-working team and hold well-established brands within the markets we serve. We are conservative by nature, and at the same time never lose sight that our mission is to create value for our investors. Our founder and executive chairman, Warren Lichtenstein, likes to say, "We eat our own cooking." With approximately 54% management ownership, we have our own skin in the game, which investors should find comforting.

AA: Thank you, Jack.

Jack L. Howard has served as President of Steel Partners since July 15, 2009, and has been a member of the Board of Directors since October 18, 2011. He also served as the company's assistant secretary from July 2009 to September 2011, and as the company's secretary from September 2011 to January 2012. He has been associated with Steel Partners and its affiliates since 1993. Mr. Howard also cofounded Steel Partners II, L.P. ("SPII") in 1993. Mr. Howard graduated from the University of Oregon with a bachelor's degree in finance.

Disclosure

Investors and others should note that Steel Partners Holdings posts important financial information, including non-GAAP reconciliations, using the investor relations section of the Steel Partners Holdings website, www.steelpartners.com, and Securities and Exchange Commission filings.

The information contained in this facsimile message is intended only for the use of the individuals to whom it is addressed and may contain information that is privileged and confidential. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone at (707) 933-8500.

The material, information and facts discussed in this report are from sources believed to be reliable, but are in no way guaranteed to be complete or accurate. This report should not be used as a complete analysis of the company, industry or security discussed in the report. This is not an offer or solicitation of the securities discussed. Advisor-Access LLC and/or its employees, contractors and owners, may purchase or sell the securities mentioned in this report from time to time. Any opinions or estimates in this report are subject to change without notice. This report contains forward-looking statements that can be identified by the use of words such as "expect," "intend," "potential." Forward-looking statements are predictions based on current expectations and assumptions regarding future events and are not guarantees or assurances of any outcomes, results, performance or achievements. You are cautioned not to place undue reliance upon these statements. These forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Steel Partners Holdings' actual results may vary materially from those discussed in the forward-looking statements as a result of factors and uncertainties disclosed in Steel Partners Holdings' reports filed with the Securities and Exchange Commission, which should be reviewed together with these forward-looking statements. The securities discussed may involve a high degree of risk and may not be suitable for all investors. Steel Partners Holdings has paid Advisor Access a fee to distribute this email. Jack Howard had final approval of the content and is wholly responsible for the validity of the statements and opinions.

About Advisor Access

Advisor-Access LLC was designed to bring compelling investment ideas to investors in the form of in-depth interviews with company management and the latest fact sheets and corporate presentations, in a concise format: the critical pieces of information an investor needs to make an informed investment decision.

Copyright © 2018 Advisor Access. All Rights Reserved.