

Clarke Inc. Reports 2014 Year End Results, Quarterly Dividend Declaration and a 51% Increase in Book Value per Share

HALIFAX, Feb. 23, 2015 /CNW/ - Clarke Inc. ("Clarke" or the "Company") (TSX: CKI) today announced its results for the year ended December 31, 2014.

The following were certain key events during 2014:

- The Company completed the sale of its truckload, less-than-truckload and freight logistics businesses (the "Freight Transport Business") for total consideration of \$100.5 million. We realized a gain on sale of \$66.4 million.
- The Company completed the sale of Gestion Jerico Inc. ("Jerico"), the business that made up its Commercial Tanks & Home Heating segment, to TerraVest Capital Inc. ("Terravest"). We received \$24.9 million for our 75% equity interest in Jerico in the form of a 6.50% promissory note with a three year term. We realized a gain on sale of \$4.7 million. During the year, Terravest repaid \$5.9 million of the promissory note leaving an outstanding principal balance of \$19.0 million.
- The Company redeemed the remaining \$30.2 million principal amount of its 2018 convertible debentures using cash on hand. The Company no longer has any debentures outstanding.
- Clarke concluded its proxy contest with Sherritt International Corporation ("Sherritt"). Clarke commenced a proxy contest against Sherritt in early 2014 with the goal of replacing three directors with nominees of Clarke and promoting various changes in Sherritt's governance, operations and capital allocation. Although we were not successful in obtaining representation on Sherritt's board, our investment in Sherritt was a financial success. We sold our shares following the results of the proxy contest and realized a gain of \$17.5 million and an IRR of 68% on our investment in Sherritt.
- Holloway Lodging Corporation ("Holloway") acquired all of the outstanding shares of Royal Host Inc. ("Royal Host"). As a shareholder of Royal Host, Clarke received cash of \$6.1 million and 610,977 Holloway shares on closing of the acquisition. Following the completion of this transaction, Clarke acquired an additional 6,263,839 shares of Holloway and at year-end owned approximately 35% of Holloway's outstanding shares.
- The Company sold its investment in Supremex Inc. for gross proceeds of \$38.0 million. Our profit since holding this investment (including distributions and dividends received) was \$5.6 million.

For the year ended December 31, 2014, Clarke generated net income attributable to equity holders of \$102.6 million or \$5.29 per share. This compared to net income attributable to equity holders of \$52.7 million or \$3.17 per share in the prior year.

Clarke's book value at the end of the year was \$12.57 per share. The Company grew book value per share by \$4.25 during the year while also returning \$0.40 per share to shareholders in the form of dividends. In addition, the Company spent \$12.5 million during the year repurchasing 1,243,846 of our Common Shares, all at a discount to book value.

Clarke also announced today that its Board of Directors declared a quarterly dividend of \$0.10 per Common Share payable on April 10, 2015 to shareholders of record at the end of business on March 31, 2015.

Subsequent to the end of the year, the Company completed a substantial issuer bid by purchasing 665,330 Common Shares at a purchase price of \$9.50 per share. The Company also completed the sale of the MV Shamrock, a container ship included in its Transportation segment, for net proceeds of US\$4.6 million.

RESULTS OF OPERATIONS

Highlights of the consolidated financial statements for the three months and year ended December 31, 2014 compared to the three months and year ended December 31, 2013 are as follows:

(in millions, except per share amounts)	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
	\$	\$	\$	\$
Realized and unrealized gains (losses) on investments	(9.4)	14.3	29.3	38.8
Dividend income	1.0	1.9	6.6	5.9
Revenue and other income (loss)*	3.2	(1.0)	19.8	8.2
Income (loss) from continuing operations	(6.4)	15.4	43.2	37.2
Income (loss) from discontinued operations attributable to equity holders of the Company**	(0.2)	5.5	59.4	15.5
Net income (loss) attributable to equity holders of the Company	(6.6)	20.9	102.6	52.7
Comprehensive income (loss) attributable to equity holders of the Company	(6.8)	23.3	99.5	58.9
Basic EPS - continuing operations	(0.32)	0.92	2.23	2.24
Diluted EPS - continuing operations	(0.32)	0.65	1.85	1.61
Basic EPS - net income (loss)	(0.33)	1.25	5.29	3.17
Diluted EPS - net income (loss)	(0.33)	0.87	4.30	2.23
Total assets	256.5	298.4	256.5	298.4
Dividends declared paid per share	0.10	0.10	0.50	0.34
Book value per share	12.57	8.32	12.57	8.32

*Revenue and other income includes pension recovery/expense, interest income, gains on sale of fixed assets, foreign exchange gains/losses, gains on convertible debenture redemptions and repurchases and revenue from the Transportation segment.

**Income from discontinued operations includes the results and the gain on sale of the Freight Transport Business and Jerico.

QUARTER ENDED DECEMBER 31, 2014

Fourth quarter revenue decreased as a result of realized losses on the sale of the Company's investments. Realized and unrealized losses on marketable securities for the fourth quarter of 2014 were \$9.4 million compared to gains of \$14.3 million for the same period in 2013. The Company had a loss from continuing operations of \$6.4 million in the fourth quarter of 2014 compared to income of \$15.4 million in the same period in 2013. This again was largely driven by the realized losses of the Company's portfolio of publicly-traded securities. Net income from discontinued operations of \$5.5 million for 2013 consists primarily of the results of the Freight Transport Business and Jerico, which were sold in early 2014.

For the three months ended December 31, 2014, Clarke's basic loss per share was \$0.33, compared to basic EPS of \$1.25 for the same period in 2013.

OUTLOOK

Throughout 2013 and 2014 Clarke sold a number of investments with a view to realizing the value that exists in the Company's assets. Two of the investments we sold in the last 24 months were Bonnett's Energy Corp. and Highkelly Drilling Inc. Both of these businesses were leaders in their respective fields and had conservative capital structures. These sales proved timely as we realized attractive profits and reduced our exposure to the oil and gas industry prior to the recent downturn. Given the recent declines in oil and gas prices and the negative impact expected on related service businesses, we are seeking new investments in the oil and gas service industry.

As a result of our various investment sales, Clarke has eliminated substantially all of its debt and built a significant cash balance. At year-end, Clarke had \$76.1

million of cash on hand (net of all debt) representing 39% of our market capitalization. We continue to seek new investments that can deliver attractive returns in coming years. We are beginning to see opportunities in the oil and gas industry as valuations have come down in response to the decline and uncertainty in global oil prices. Investment opportunities outside of the oil and gas industry have been more limited in our view due to generally high valuations. We will remain disciplined in deploying our capital as that capital retains option value while it is in our hands.

In addition to seeking new investments, we intend to continue working with our two major investee companies to maximize their business values. We believe there is significant opportunity for each of Terravest and Holloway to continue acquiring complementary businesses and hotels, respectively, at accretive prices. Each of these companies remains undervalued in our view.

Finally, we continue to view our Common Shares as undervalued. As long as this situation exists, we will continue to repurchase our Common Shares as it is the equivalent of buying a dollar for a fraction of that amount. We repurchased 1,243,846 Common Shares under our normal course issuer bid ("NCIB") in 2014 and 665,330 shares under our SIB in early 2015, all at a discount to our book value per share.

Further information about Clarke, including Clarke's Consolidated Financial Statements and Management's Discussion & Analysis for the year ended December 31, 2014, is available at www.sedar.com and www.clarkeinc.com.

About Clarke

Halifax-based Clarke invests in a variety of private and publicly-traded businesses and participates actively where necessary to enhance the performance of such businesses and increase its return. Clarke's securities trade on the Toronto Stock Exchange (CKI); for more information about Clarke Inc., please visit our website at www.clarkeinc.com.

Note on Forward-Looking Statements and Risks

This press release may contain or refer to certain forward-looking statements relating, but not limited, to the Company's expectations, intentions, plans and beliefs with respect to the Company. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "does not expect", "is expected", "budget", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", or equivalents or variations of such words and phrases, or state that certain actions, events or results, "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements include, without limitation, those with respect to the future or expected performance of the Company's investee companies, the future price and value of securities held by the Company, changes in these securities holdings, changes to the Company's hedging practices, currency fluctuations and requirements for additional capital. Forward-looking statements rely on certain underlying assumptions that, if not realized, can result in such forward-looking statements not being achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, the Company's investment strategy, legal and regulatory risks, general market risk, potential lack of diversification in the Company's investments, interest rates, foreign currency fluctuations, the sale of Company investments, the fact that dividends from investee companies are not guaranteed, reliance on key executives, commodity market risk, risks associated with investment in derivative instruments and other factors. With respect to the Company's Transportation segment, such risks and uncertainties include, among others, weather conditions, safety, claims and insurance, labour relations, and other factors.

Although the Company has attempted to identify important factors that could cause actions, events or results not to be as estimated or intended, there can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Other than as required by applicable Canadian securities laws, the Company does not update or revise any such forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements.

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