



MARCATO

EPIQ SYSTEMS
APRIL 2016

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INTRODUCTION TO MARCATO

Marcato Capital Management beneficially owns 4.8% of Epiq's outstanding common shares

- ▲ Value-oriented strategy includes taking large ownership stakes in businesses we believe in
- ▲ Long-term investment horizons typified by multi-year holding periods
- ▲ Concentrated portfolio approach with few investments at any given time allows us to conduct extensive diligence and devote more energy to each investment
- ▲ Significant experience investing across industries and working to unlock and increase value for shareholders, including:

LIFETIME
THE HEALTHY WAY OF LIFE COMPANY™

AB
ALEXANDER & BALDWIN, INC.

VAIL RESORTS
EXPERIENCE OF A LIFETIME™


BNY MELLON

CCA

 **LEAR**
CORPORATION

dineEquity™

PERSISTENT LONG-TERM SHARE PRICE UNDERPERFORMANCE

By any objective measure, over any relevant time period and against any pertinent benchmark, Epiq has significantly underperformed

	Total Shareholder Returns ⁽¹⁾			
	1 year	3 year	5 year	10 year
1. Versus Russell 3000				
Epiq Systems	(19.3%)	15.5%	9.9%	34.6%
Russell 3000	(0.7%)	39.5%	67.7%	93.6%
% outperformance / (underperformance)	(18.6%)	(24.0%)	(57.7%)	(58.9%)
2. Versus Proxy Peers				
Epiq Systems	(19.3%)	15.5%	9.9%	34.6%
Proxy Peers Average ⁽²⁾	(7.0%)	32.6%	80.1%	97.3%
% outperformance / (underperformance)	(12.3%)	(17.1%)	(70.2%)	(62.6%)

(1) As of April 6, 2016

(2) Peers include ACIW, EPAY, CBR, CTG, CLGX, CRD.B, EFT, FICO, FCN, NCI, HURN, MMS

OVER-PROMISING AND UNDER-DELIVERING

Management has persistently fallen short of its own financial targets, suggesting systemic problems with execution, forecasting, and investor communication

▲ Missed revenue guidance in **5 of 8 years**

▲ Missed EBITDA guidance in **7 of 8 years**

▲ Missed EPS guidance in **7 of 8 years**

	<u>2008A</u>	<u>2009A</u>	<u>2010A</u>	<u>2011A</u>	<u>2012A</u>	<u>2013A</u>	<u>2014A</u>	<u>2015A</u>
<u>Initial Guidance (midpoint)</u>								
Revenue	\$190	\$215	\$223	\$245	\$350	\$375	\$475	\$510
Adj. EBITDA	\$62	\$70	\$73	\$78	\$103	\$100	\$106	\$112
Adj. EPS	\$0.57	\$0.70	\$0.77	\$0.88	\$1.03	\$1.05	\$1.00	\$0.93

Actual Results

Revenue	\$208	\$209	\$218	\$261	\$345	\$439	\$444	\$506
Adj. EBITDA	\$58	\$64	\$69	\$81	\$92	\$99	\$97	\$108
Adj. EPS	\$0.57	\$0.64	\$0.73	\$0.88	\$0.97	\$0.98	\$0.80	\$0.86

% Variance vs. Guidance

Revenue	9.4%	(3.0%)	(2.2%)	6.6%	(1.5%)	17.0%	(6.5%)	(0.8%)
Adj. EBITDA	(6.7%)	(8.4%)	(5.3%)	5.1%	(9.9%)	(0.7%)	(8.5%)	(3.3%)
Adj. EPS	(0.6%)	(8.9%)	(5.7%)	0.0%	(5.8%)	(6.0%)	(20.2%)	(7.0%)

FAILED CAPITAL ALLOCATION

A major \$134mm acquisition (Iris Data Services) is already falling significantly short of plan, less than one year after the initial purchase

Iris Financial Performance

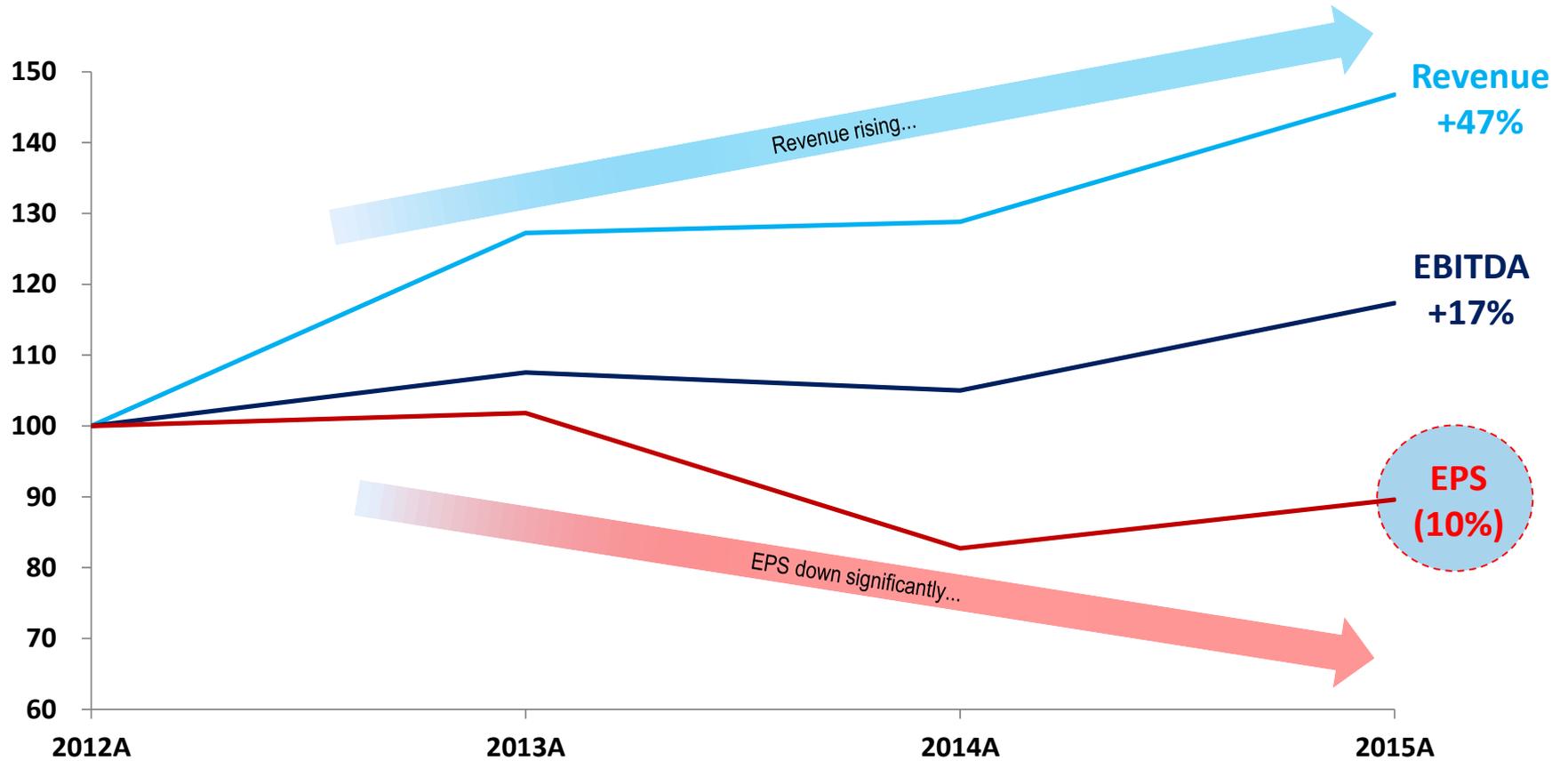
	<u>2015</u>
Iris actual revenue	\$29
Iris budgeted revenue ⁽¹⁾	~\$35
% of budget	83%

(1) Based on Epiq 2015 revenue guidance pre-Iris acquisition (\$475mm) and post (\$510mm)

POOR OPERATING PERFORMANCE

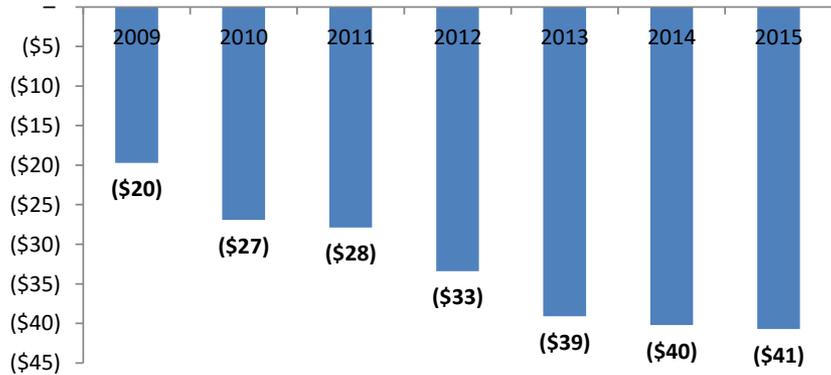
Despite revenue growth, adjusted EPS has declined over the past several years

Indexed Financial Performance (2012 = 100)

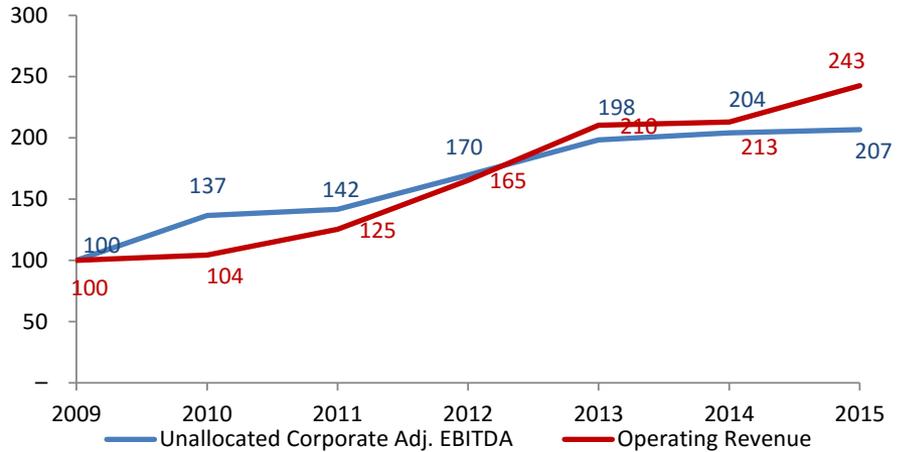


UNCONSTRAINED EXPENSE GROWTH

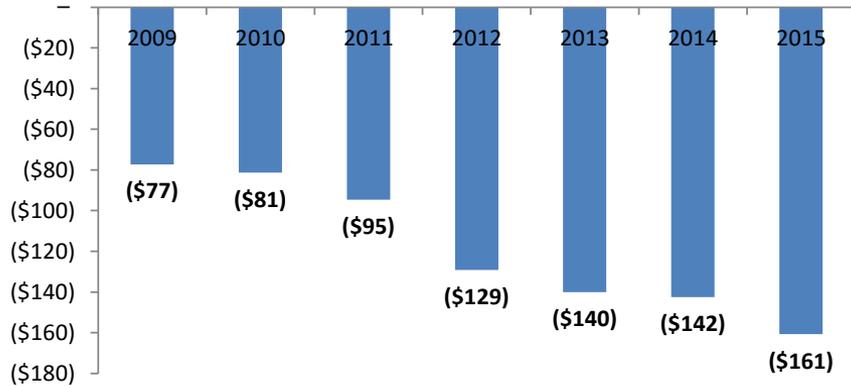
UNALLOCATED CORPORATE ADJ. EBITDA



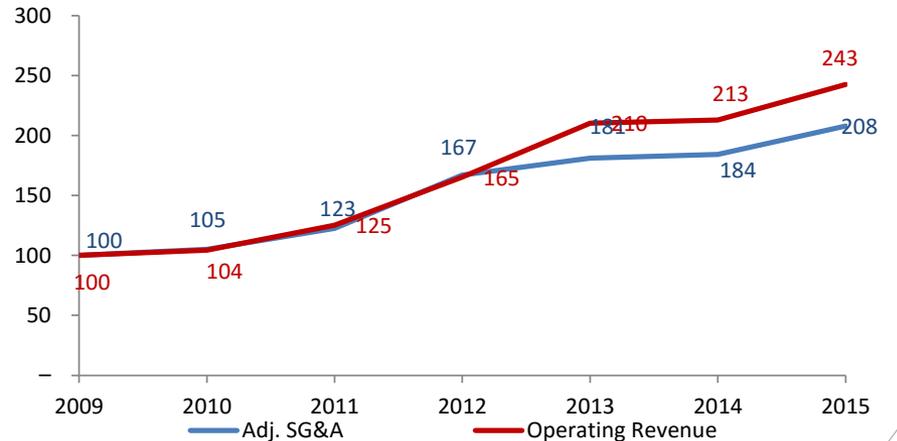
CORPORATE EBITDA VS. REVENUE (INDEXED; 2009 = 100)



ADJUSTED SG&A



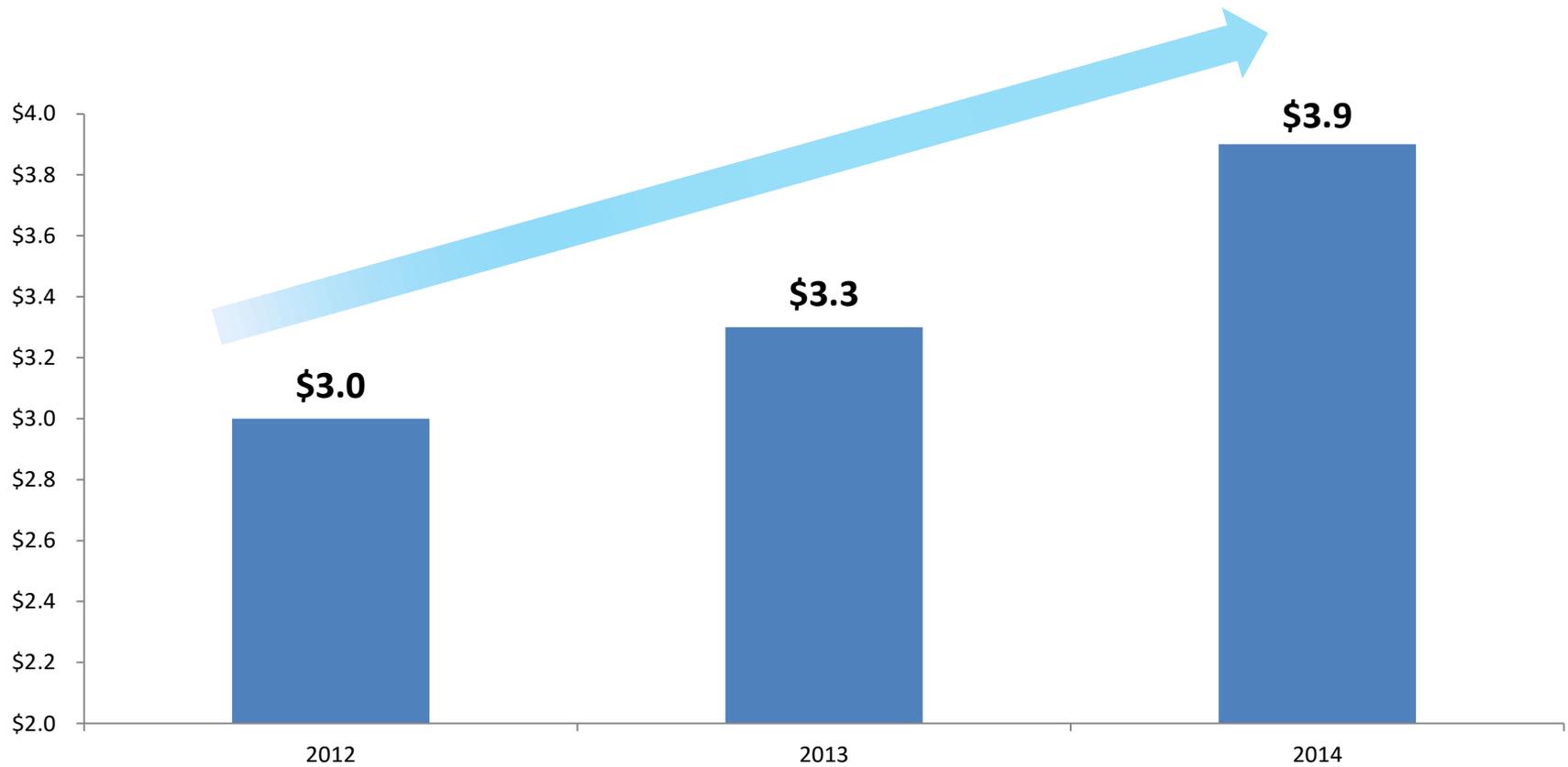
ADJUSTED SG&A VS. REVENUE (INDEXED; 2009 = 100)



THE BOARD HAS NOT HELD MANAGEMENT ACCOUNTABLE

Despite multiple years of deteriorating operating results and share price underperformance, CEO compensation has increased each year

CEO Compensation



Source: Company proxy

EPIQ HAS LOST CREDIBILITY WITH INVESTORS, ANALYSTS, AND PROXY ADVISORS

Epiq now has two 13D shareholders and faces skeptical sell-side research coverage and historical opposition from proxy advisors

▲ We believe Epiq trades with a “credibility discount” that impedes the stock from realizing its full potential

13D Shareholders

VILLERE & Co.
Investment Counsel Since 1911

**P2 Capital
Partners**

Sell-side Research Analysts

William Blair

“This is the fourth straight year that management is counting on a much stronger second half of the year. The company has failed to meet its guidance in the three prior years, so we don’t have significant confidence in this guidance”

(August 3, 2015)

Proxy Advisors



ISS and Glass Lewis recommended that shareholders withhold votes for Epiq’s outside directors and executive officers compensation plans in both 2013 and 2014

FLAWED STRATEGIC REVIEW PROCESS

Despite the Board rejecting P2 Capital's \$20 proposal as "inadequate from a financial point of view"⁽¹⁾, **Epiq's share price over the past year has persistently languished below the initial \$20 offer**

- ▲ We understand the Epiq Board may have rejected P2's initial offer prior to retaining a financial advisor
- ▲ Epiq now trades ~28% below the initial P2 proposal, and is nearly unchanged from the unaffected stock price prior to Villere's initial 13D filing⁽²⁾

EPIQ Dividend-Adjusted Share Price



EPIQ'S BOARD HAS MADE MULTIPLE ATTEMPTS TO DISENFRANCHISE SHAREHOLDERS

A Onerous Requirements for Director Nominations

- Amended bylaws in 2010 to impose unusual ownership, tenure, and notification requirements that substantially limit the ability of shareholders to nominate directors
- Amended bylaws again in 2014 to impose additional disclosure and procedural requirements on nominating shareholders

A Refusal to Honor Shareholder Votes

- Ignored efforts to reform the Company's compensation system, despite repeated opposition from ISS, Glass Lewis, and Epiq shareholders (only 30% votes in favor of executive compensation at the 2014 Annual Meeting)
- Ignored efforts to replace Ed Connolly as a Director, who was voted down by shareholders at the 2014 Annual Meeting

A Restrictive Poison Pill

- Adopted a poison pill in 2014 with a highly restrictive ownership trigger for a period of time
- Defined "beneficial ownership" to severely limit communications between shareholders

A Illegitimate Efforts to Block Villere's Director Nominees

- Attempted to extend a Standstill Agreement with Villere & Co. to block its Director nominees
- Asserted that Villere was not an eligible record holder and did not have nominating authority
- Despite legal challenges by Epiq, the Missouri Jackson County Circuit Court has ruled that Villere & Co. can nominate a competing slate of directors for Epiq's upcoming 2016 annual meeting

Shareholders Now Have A Unique Opportunity To Vote For A Highly-Qualified Slate of Alternate Directors And Chart A New Strategic Course For The Company

Marcato Believes
Board Change Would
Drive Management
Accountability
and Maximize
Shareholder Value