

ModusLink Global Solutions Inc  
Form DEFA14A  
December 15, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**ModusLink Global Solutions, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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Investor Presentation

December 2011 / January 2012

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SEC Safe Harbor Statement

Forward looking Statement

This presentation contains forward-looking statements, which address a variety of subjects including, for example, the Company's assessment of the long-term prospects for its market, the trend toward outsourcing key processes, the opportunity base, the prospects for improved profitability over the long-term, the anticipated impact of the investment and cost reduction plan in fiscal 2012 and 2013 as a result of the investment and cost reduction plan, the impact of the tax benefit preservation plan and

win. All statements other than statements of historical fact, including without limitation, those with respect to the Company's operations and revenue, lower its costs, improve its gross margins, reach and sustain profitability, reach its long-term objectives on its business strategy, including the investment and costs savings plan and the continued and increased demand for and market conditions, especially in the technology sector are uncertain and subject to volatility; demand for our clients' products may decrease; the Company's management may face strain on managerial and operational resources as they try to oversee the expansion; the expected benefits of its restructuring and cost cutting actions; the Company may not be able to expand its operations in accordance with its business strategy; the Company may not have sufficient cash and other resources, and its financial resources may not be sufficient to allow the Company to meet all of its business and investment goals; the Company may experience changes in its operations and personnel in accordance with its business strategy; the Company derives a significant portion of its revenue from a small number of customers and a few large customers could significantly damage the Company's financial condition and results of operations; the Company frequently sells its products on an order basis rather than pursuant to contracts with minimum purchase requirements, and therefore its sales and the amount of profit are subject to demand variability; risks inherent with conducting international operations; tax rate expectations are based on current tax law and changes in tax laws in jurisdictions in which profits are determined to be earned and taxed, changes in estimates of credits, benefits and deductions, the ability to carryforwards may not be realized and the tax benefit preservation plan may not be effective in preserving those benefits; the non-predictable and liquidity events for companies in the Company's venture capital portfolio may not occur; and increased competition in the industry in which the Company competes. For a detailed discussion of cautionary statements that may affect the Company's future results of operations, see the Company's filings with the Securities and Exchange Commission, including the Company's most recent Annual Report on Form 10-K. Forward-looking statements represent management's current expectations and are inherently uncertain. We do not undertake any obligation to update or revise these forward-looking statements.

**Important Additional Information**

On December 2, 2011, ModusLink filed with the Securities and Exchange Commission (the "SEC") a definitive proxy statement for its 2011 Annual Meeting of stockholders (the "2011 Annual Meeting") and has mailed the definitive proxy statement to its stockholders. The definitive proxy statement contains information about the identity and interests of ModusLink's directors, director nominees and certain of its officers and employees that may be deemed material in the solicitation of ModusLink's stockholders in connection with the 2011 Annual Meeting.

Copies of ModusLink's definitive proxy statement, any other relevant documents and other materials filed with the SEC concerning the 2011 Annual Meeting are available for viewing and downloading at [www.sec.gov](http://www.sec.gov) and [www.ir.moduslink.com](http://www.ir.moduslink.com). The definitive proxy statement and any other relevant documents filed with the SEC concerning the 2011 Annual Meeting and stockholders should carefully read the definitive proxy statement, the accompanying WHITE proxy card and other materials filed with the SEC concerning the 2011 Annual Meeting, before making any voting decision.

Agenda

ModusLink Overview and Background

Taking Action to Best Position ModusLink for Long-Term Success

Board of Directors

Experienced and Independent

Peerless Systems and the Proxy Contest

Conclusion: Vote for ModusLink Nominees on the WHITE Proxy Card

3



Improving Operations

Executing investments in sales and marketing and cost reduction plan to respond to adverse economic conditions

Plan is focused on putting company on path to sustained growth in revenue and profits

Enhancing Corporate Governance

Appointed stockholder nominee, Jeff Fenton, to Board in leadership role in November 2010

Separated Chairman and CEO roles

Maximizing Stockholder Value

Returned  
nearly  
\$97  
million  
in  
cash  
to  
stockholders  
since  
fiscal  
2008

Commenced review of strategic alternatives, chaired by Mr. Fenton

Adopted a tax benefit preservation plan

Delivering Results

Actions taken bearing fruit, and the Company's performance is improving

For first quarter fiscal 2012, ModusLink reported its highest gross profit margin in nearly two years, its first operating profit in six quarters and several new client program wins

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Robust Change is Underway at ModusLink

ModusLink Overview and Background

5

Market Leader in Supply  
Chain Business Process Outsourcing (BPO)

Provides clients with broad, integrated portfolio of forward and  
reverse  
supply chain solutions supported by a global footprint

25 solution centers in 15 countries

e-Business, factory supply, optimized configuration/postponement and aftermarket services

Focused on high-growth markets

Computing, software, communications, storage and consumer electronics

Approximately 4,000 full-time employees worldwide

Fiscal 2011 revenue of \$876 million

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ModusLink Provides  
Superior Value Chain Solutions  
We  
design  
and  
execute  
critical

processes  
within  
our  
clients  
global  
value  
chains;  
focus on speed to market and best cost to enable new business channels  
and to unlock global market opportunities  
Logistics  
Providers  
Fulfill to  
Multiple  
Channels  
Configure  
Product for  
End Market  
Needs  
Manage  
Returns  
Processes  
E-Business / Entitlement  
Business Process Infrastructure  
Asset  
Repair &  
Recovery  
Source  
Goods for  
Manufacture  
7  
EMS,  
ODM &  
OEM  
Manufacture

8  
High-Level Strategy in Place to Drive Value  
Continue to Drive  
Operational  
Efficiencies  
Focus on Target  
Markets With Long-



Term Growth  
Prospects  
Computing  
Software  
Storage  
Factory Supply  
Optimized  
Product  
Configuration/Postponement  
Aftermarket Services  
e-Business  
Global Standardization  
Facility Optimization  
Continuous Improvement  
Expand Client  
Relationships  
Through Innovative  
Solutions  
Communications  
Consumer Electronics  
New Verticals

Improving Outlook for BPO Market

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Industry Environment:

Recession

created

adverse

conditions

for  
our  
clients, which in  
turn impacted ModusLink in fiscal  
2010/2011

Macroeconomic environment has  
shown weakness, especially in  
Europe

Despite challenges, we believe  
long-term prospects for our market  
are very good

Companies will continue to  
outsource more key processes  
within their supply chain to reduce  
costs and manage the increasing  
complexity that global companies  
face in serving their customers

Source: Gartner -  
Q2 2011.



ModusLink's Addressable Market  
Presents Compelling Opportunity  
10

Supply Chain BPO Market is \$25 billion across three sectors

Supply Chain Services represents 11%

0.2%

0.7%

0.8%

1.4%

1.7%

1.8%

4.2%

Globalware

Mentor

Media

Shin Shin

ATC

RR

Donnelley

Arvato

ModusLink

ODM / Contract

Manufacturers

10%

Source: Company Estimates

In-House

providers &

other

79%

Supply Chain Services

11%

Competitors:

ModusLink is in a favorable competitive position, given our global capability and Fortune 1000 client base with opportunity for new programs that include high value services, such as Aftermarket and e-Business solutions

Strong balance sheet: no debt, approximately \$110 million of cash\*

\$25 billion addressable market

Maintained strong liquidity: current ratio of 1.8x\*

Net operating loss carryforwards of \$2 billion

Improving profit margins over time

11

\* As of October 31, 2011

Financial Strength

Sets Solid Foundation for Execution



12  
\* Non  
GAAP  
operating  
income  
represents  
total

operating  
income,  
excluding  
net  
charges  
related  
to  
depreciation,  
amortization,  
stock-based  
compensation  
restructuring  
and  
impairment of goodwill.

\*\* Excludes goodwill and other intangible asset impairment charges in FY08, FY09 , FY10 and FY11. Operating income (loss) was \$35.0 million in FY08, FY09 , FY10 and FY11 respectively.

See reconciliation to operating income in appendix  
Financial Trend Analysis

ModusLink has Returned  
Significant Capital to Stockholders  
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Since the beginning of FY  
2008, ModusLink has  
returned nearly \$97 million of

cash to stockholders

\$56.7 million of stock repurchases,  
which represents a reduction of  
12% of the Company's outstanding  
shares

\$40 million (\$0.9134 per share)  
special cash dividend distributed to  
stockholders in March 2011

\*Includes stock repurchased as of January 31, 2011 and special dividend paid on March 31, 2011

Taking Action to Best Position ModusLink  
for Long-Term Success  
14

Created durable competitive advantage through strategic acquisitions

Open  
Channel  
Solutions  
(OCS)

an  
entitlement  
management  
capability  
that  
strengthened  
ModusLink's e-Business solution

PTS  
Electronics  
(PTS)  
and  
Tech  
For  
Less  
(TFL)

two  
important  
capabilities  
that  
now  
comprise ModusLink's Aftermarket Services

As  
a  
result,  
ModusLink  
can  
now  
offer  
a  
full  
suite  
of  
value  
chain  
solutions,  
that  
enhance  
ability  
to cross-sell our solutions as well as improve margins  
Over 50% of our top 30 clients utilize more than one of our solutions

Taken significant actions to improve the performance of our acquisitions

Leadership changes  
Integrated these highly complementary services under common leadership; hired President, Integrated  
Services in 2011

Restructured operations

Completed labor reductions of 14% at PTS and more than 25% at TFL in fiscal 2011

Implemented better methods to buy, process, repair and sell products

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Becoming a Leader in

Global Supply Chain Management Services

Acquisitions are in line with our strategy to take advantage of our sizeable NOLs

and

provide

the

Company

with

the

right

mix

of

services

and

scale

necessary

to

position the Company for improved profitability over the long term



16  
Strategic Plan to Put Company on  
Path to Sustained Growth in Revenue and Profits

As market headwinds persisted,  
Company conducted comprehensive  
review of business to determine

additional ways to enhance operations

Developed and have begun to  
execute an investment and  
cost reduction plan to:

Increase revenue from new programs

Significantly improve profitability

Put new leadership in place to drive  
improved results

Sales Acceleration

& Increased

Market Penetration

Strengthening

Leadership

Cost Alignment &

Working Capital

Improvements

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Investment and Cost Reduction Plan:

Sales Acceleration and Increased Market Penetration

Increase new business revenue to annual levels of  
\$150 million to \$200 million

Overcome challenges related to volatility in volumes and use of less materials in packaged products, while fulfilling our cost value proposition to clients

Objectives

Increasing quota-bearing sales people by at least 30%

Price optimization strategies

Improving sales targeting including subcategories within target markets

Sales force effectiveness and account planning

Integrate sales and marketing under common leadership

Hired new head of sales and marketing

Example Investments and Changes

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Investment and Cost Reduction Plan:

Cost Alignment & Working Capital Improvements

Improve profitability as sales and marketing initiatives  
gain traction

Increase capacity utilization and reduce redundancy  
Objectives

Reducing direct and indirect labor costs

6% reduction in headcount from actions in last two quarters

Reducing facility costs

Strategic sourcing; better leverage purchasing power of collective facilities

Expanding shared services initiative

Further streamline inventory levels and accelerate inventory turns  
Example Investments and Changes

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Put new leaders in targeted places to drive improved results

Fulfill vision for development of integrated services  
Aftermarket Services and e-Business solutions

Objectives

Recently hired:

-  
President,  
Sales  
and  
Marketing  
to  
drive  
go-to  
market  
strategy

-  
President,  
Integrated  
Services  
to  
drive  
aftermarket  
solutions  
and  
e-Business  
capabilities

-  
SVP,  
Human  
Resources  
to  
strengthen  
training  
and  
talent  
development

Example Investments and Changes

Investment and Cost Reduction Plan:

Strengthening Leadership



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Investment and Cost Reduction Plan:  
Already Delivering Results

The Investment and Cost Reduction plan is already contributing to results

For ModusLink's first quarter fiscal 2012 earnings results, the Company reported its highest

gross profit margin in nearly two years and its first operating profit in six quarters

Cost reduction plans, including restructuring actions, are expected to result in approximately \$30 million to \$40 million in annualized cost savings

On track to achieve the expected \$15 million to \$20 million in benefits in fiscal 2012, with further benefit in fiscal 2013

Recently won several new client programs with global brands:

A major global consumer products company

Expected

to

contribute

annualized

revenue

of

approximately

\$60

million

-

largest

program

win

since

before recession

GoPro -

one of the world's fastest growing camera companies

Program utilizes ModusLink's Supply Chain, e-Business and Aftermarket solutions

Two new programs from Sony

Since starting first Sony program a year ago, we've grown relationship to five programs

Example of ModusLink's ability to sell new programs to current clients and underscores opportunity present in existing client base

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ModusLink is Positioned  
For Long-Term Success

Strong liquidity and balance sheet

An articulated plan for investment and cost reduction

Access to a global market

A client base of Fortune 1000 companies that provides additional opportunities for ModusLink's service offerings

Over 50% of our top 30 clients utilize more than one of ModusLink's solutions  
ModusLink has a robust financial foundation that provides a competitive advantage and affords us the opportunity to act in the long-term interests of our Company and stockholders

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Board of Directors  
Experienced and Independent

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ModusLink has a Highly-  
Qualified and Independent Board

Seven of eight Board members are independent

Virginia G. Breen

Jeffrey J. Fenton  
Director nominee at 2011 Annual Meeting

Thomas H. Johnson

Director nominee at 2011 Annual Meeting

Frank J. Jules  
Chairman

Joseph C. Lawler  
President and Chief Executive Officer

Edward E. Lucente

Michael J. Mardy

Joseph M. O'Donnell

Half of the current Board members have joined in the past five years

By pursuing this proxy contest, Peerless is seeking to replace two of ModusLink's newest Board members

ModusLink's Board is comprised of seasoned executives,  
all of whom are actively engaged in creating value for all stockholders

24  
Board is Listening and Taking Action



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ModusLink's Highly-Qualified  
Director Nominees

ModusLink's nominees are experienced, qualified and committed to delivering value for  
all stockholders

Tom Johnson:

Member of Board since April 2006

Mr. Johnson was identified by an outside search firm, Spencer Stuart, as part of a nationwide search for director candidates

Mr. Johnson brings more than 15 years of executive experience, including service as the chief executive officer of two large multinational corporations, as well as four public company boards

Since January 2009, Mr. Johnson has served as the Chief Executive Officer of The Taffrail Group, LLC, an international advisory firm

Mr. Johnson is also a director of Coca-Cola Enterprises, Inc., GenOn Energy, Inc. and Universal Corporation  
Jeff Fenton:

Member of Board since November 2010

Mr. Fenton was appointed to the Board following the Governance and Nominating Committee's review and evaluation of director candidates

put  
forward  
by  
two  
stockholders:  
LCV  
Capital  
Management  
and  
Raging  
Capital  
Management

Mr. Fenton brings a proven record of leading large and diverse organizations, developing and executing market leading strategies

Since March 2004, Mr. Fenton has served as Principal of Devonshire Advisors LLC, an investment advisory services firm

Mr. Fenton served as a director of Bluelinx Holdings Inc., Formica Corporation, IAP Worldwide Services and Transamerica Trailer Leasing Co.

Losing these Directors would remove valuable experience and important leadership from the ModusLink Board

26  
Peerless Systems and the  
Proxy Contest

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ModusLink has been Reasonable  
and Open to a Resolution with Peerless

ModusLink values the opinions of all stockholders and has a track record of  
working with stockholders

Engaged in a dialogue with LCV Capital Management and Raging Capital Management that enabled us to avoid the expense and disruption of a proxy contest in 2010

Resulted  
in  
ModusLink  
appointing  
stockholder  
representation  
to  
the  
Board

Mr.  
Fenton,  
who  
has since been a valuable addition through his various leadership roles

ModusLink's Board and management have tried to pursue a similar approach with Peerless, actively engaging with the investor

Throughout the course of this interaction, and despite concerns about the Peerless nominees, ModusLink made a concerted effort to resolve this matter

Offered Peerless a settlement agreement which included board representation and customary confidentiality and standstill provisions  
Despite opportunities to find common ground, Peerless has instead chosen to engage the Company in a disruptive and costly proxy contest

28  
Peerless has Not Articulated Any  
Strategy or Plan for the Company

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Peerless Nominees

Not Right for ModusLink

In our view, electing the Peerless nominees could:

Interrupt ongoing implementation of ModusLink's strategic plan;

Disrupt the ongoing strategic alternatives review process;

Reduce the level of relevant experience on the Board; and

Negatively impact stockholder value



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There Are Concerns Regarding  
Peerless Nominee Timothy Brog  
Mr. Brog's pattern of violations is troubling  
and has no place on ModusLink's Board

Nominee Timothy Brog has a troubling track record of SEC violations and  
failure to disclose material information to stockholders:

2006:

Gyrodyne  
proxy  
contest

Mr.  
Brog  
was  
part  
of  
a  
group  
that  
received  
a  
comment  
letter

from the Staff of the Securities and Exchange Commission (SEC) noting that because the group failed to file a preliminary proxy statement, the participants in the solicitation had violated Rule 14a-6 of Regulation 14A.

The Staff directed the group to revise its proxy materials to affirmatively indicate the participants had committed a federal securities law violation

2008:

TravelCenters  
of  
America  
proxy  
contest

lawsuit  
filed  
against  
Mr.  
Brog  
related  
to  
his

failure to disclose the prior federal securities law violations in connection with the Gyrodyne matter

Delaware Court of Chancery ruled in favor of TravelCenters, and deemed Mr. Brog's notice of intent to nominate directors deficient and invalid

2011:

ModusLink  
proxy  
contest

We  
believe

that

Mr.

Brog

is

operating

Peerless

as

an

unregistered investment company in violation of federal securities laws

Based on public filings, we believe Peerless fails several quantitative and qualitative tests under the

Investment Company Act of 1940

We believe Mr. Brog has failed to disclose material information to ModusLink's stockholders in this regard

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Conclusion: Vote for ModusLink Nominees  
on the WHITE Proxy Card

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Protect Your Investment: Vote  
FOR ModusLink Nominees on the WHITE Proxy Card  
Support  
your  
Board's  
initiatives

to  
drive  
value  
for  
**ALL**  
stockholders

vote  
FOR the ModusLink nominees on the WHITE proxy card today



34  
Non-GAAP Reconciliation  
FY04  
Margin %  
FY05  
Margin %  
FY06



Margin %  
 FY07  
 Margin %  
 Revenue  
 381,315  
 \$  
 1,053,507  
 \$  
 1,148,886  
 \$  
 1,143,026  
 \$  
 Operating income (loss)  
 (25,206)  
 -6.6%  
 7,769  
 0.7%  
 585  
 0.1%  
 14,765  
 1.3%  
 Less goodwill impairment charges  
 -  
 0.0%  
 -  
 0.0%  
 -  
 0.0%  
 -  
 0.0%  
 Oper. income (loss) excl. GW impairment  
 (25,206)  
 -6.6%  
 7,769  
 0.7%  
 585  
 0.1%  
 14,765  
 1.3%  
 Adjustments :  
 Depreciation  
 6,771  
 1.8%  
 9,723  
 0.9%  
 11,021  
 1.0%  
 15,028  
 1.3%  
 Amortization of intangible assets

-  
 0.0%  
 5,226  
 0.5%  
 4,824  
 0.4%  
 4,821  
 0.4%  
 Share-based payments  
 333  
 0.1%  
 5,700  
 0.5%  
 6,417  
 0.6%  
 5,184  
 0.5%  
 Restructuring  
 5,604  
 1.5%  
 5,258  
 0.5%  
 9,521  
 0.8%  
 4,643  
 0.4%  
 Non-GAAP operating income (loss)  
 (12,498)  
 \$  
 -3.3%  
 33,676  
 \$  
 3.2%  
 32,368  
 \$  
 2.8%  
 44,441  
 \$  
 3.9%  
 FY08  
 Margin %  
 FY09  
 Margin %  
 FY10  
 Margin %  
 FY11  
 Margin %  
 Q1 FY12  
 Margin %  
 Revenue

1,068,207	
\$	
1,008,554	
\$	
923,996	
\$	
876,466	
\$	
206,151	
\$	
Operating income (loss)	
371	
0.0%	
(167,693)	
-16.6%	
(6,927)	
-0.7%	
(34,972)	
-4.0%	
2,208	
1.1%	
Less goodwill & intangible asset impairment charges	
14,000	
1.3%	
164,682	
16.3%	
25,800	
2.8%	
27,166	
3.1%	
-	
0.0%	
Oper. income (loss) excl. GW & intangible asset impairment charges	
14,371	
1.3%	
(3,011)	
-0.3%	
18,873	
2.0%	
(7,806)	
-0.9%	
2,208	
1.1%	
Adjustments :	
Depreciation	
17,008	
1.6%	
20,013	
2.0%	
16,867	

1.8%  
 16,782  
 1.9%  
 3,735  
 1.8%  
 Amortization of intangible assets  
 3,773  
 0.4%  
 5,485  
 0.5%  
 6,308  
 0.7%  
 5,457  
 0.6%  
 332  
 0.2%  
 Share-based payments  
 5,599  
 0.5%  
 5,103  
 0.5%  
 4,154  
 0.4%  
 3,481  
 0.4%  
 882  
 0.4%  
 Restructuring  
 5,465  
 0.5%  
 19,552  
 1.9%  
 (1,433)  
 -0.2%  
 795  
 0.1%  
 755  
 0.4%  
 Non-GAAP operating income (loss)  
 46,216  
 \$  
 4.3%  
 47,142  
 \$  
 4.7%  
 44,769  
 \$  
 4.8%  
 18,709  
 \$

2.1%  
7,912  
\$  
3.8%