



NEW YEAR, NEW TEAM

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ACTIVIST INSIGHT MONTHLY
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4 Old Park Lane,
Mayfair, London, W1U 6PZ
+44 (0) 207 129 1314

1350 Avenue of the Americas,
Floor 3, New York, NY, 10019
+1 646 475 2214

www.activistinsight.com
info@activistinsight.com
Twitter: @ActivistInsight

EDITORS' LETTERS



JOSH BLACK,
EDITOR-IN-CHIEF AT
ACTIVIST INSIGHT.



ELANA DURÉ, SENIOR
FINANCIAL REPORTER
AT ACTIVIST INSIGHT.

Welcome to the first issue of *Activist Insight Monthly* of 2019, and the first to be edited by my colleague, Elana Duré. You may already know her from *The Activist Insight Podcast*. I have no doubt she will bring the same timeliness and questioning spirit from her interviews of activists and advisers to this publication.

A shift in responsibilities allows for more experimentation. In this issue, I instigate a series of profiles of the world's most noteworthy activist investors drawing on *Activist Insight Online* data. By choosing **ValueAct Capital Partners**, I hoped to shed light on an activist that has flown under the radar by choice yet has the potential to chart a new path for others. Feedback on this new feature and suggestions for our "to do" list are both welcome.

Outside of *Activist Insight Monthly*, you might be aware of our new newsletter, *The Weekly Wrap*. Authored by Iuri Struta, this highlights the best of our reporting and is exclusive to subscribers of *Activist Insight Online*. Also on *Activist Insight Online*, my team is planning to publish more in-depth stories, drawing on data, trends, and insights that don't always make it into hot takes. We are also providing more "live" coverage, including updates throughout the day on 13F deadlines. For an example, see **this month's 13F story**. We also hope to provide a stream of special reports, covering Canada, M&A activism, governance, and Europe.

Elsewhere, we are rolling out improvements to *Activist Insight Vulnerability* – including two reports a week and custom peer groups – and *Activist Insight Governance* – including nomination deadlines and annual meeting dates.

All of which makes this a promising year for our subscribers. Board-related activism is down on last year's brisk start, but settlements have started to flood in. Let's hope we have the campaigns to make this an exciting year, not just a well-informed one! 🍷

jblack@activistinsight.com
[@ActivistInsight](https://twitter.com/ActivistInsight)

With a new year comes new faces, and we've dedicated this issue to highlighting the new firms and hires in the shareholder activism advisory space. Personnel moves at banks **Moelis & Co**, **Houlihan Lokey**, and **Jefferies** prove that activism defense is on the rise, while the emergence of corporate governance advisers at **King & Spalding** and **ICR** shows that shareholder engagement is a growing concern for corporations. Across the pond, the launch of **Statera Partners** and **SquareWell Partners** indicates shareholder activism is becoming more prominent in the U.K.

For those wondering how they can get in on the action, please do send press releases or updates of your latest hires to press@activistinsight.com. Personnel moves and firm launches are covered year-round on *Activist Insight Online*.

This month's magazine also touches on a situation that has been at the forefront of media reports given its significance financially, environmentally, and legally. Besieged by potential liabilities stemming from wildfires in California, **Pacific Gas & Electric (PG&E)** filed for bankruptcy at the end of January despite protests by **BlueMountain Capital Management**. The activist, which believes PG&E has enough liquidity to survive the fall, has since launched a proxy contest with the intention of replacing the board.

On the short side, we look at **Kerrisdale Capital Management's** campaign at **Qualcomm**; the short seller believes the company will suffer after receiving a court ruling later this month. Elsewhere, we examine ValueAct Capital's history as an activist, **BlackRock's** letter to corporate CEOs, and the vulnerability of U.S. tire manufacturer **Goodyear Tire & Rubber**.

It's been a pleasure taking a greater role in preparing this issue and I look forward to bringing you more informative, entertaining, and thought-provoking news in the year to come. 🍷

edure@activistinsight.com

A hand in a grey suit jacket holding a black leather briefcase against a city skyline at sunset. The background shows a dense urban landscape with various skyscrapers and buildings under a sky filled with soft, golden clouds. The lighting is warm, suggesting late afternoon or early evening.

NEW YEAR, NEW TEAM

FOLLOWING A BUSY 2018, CORPORATE AND SHAREHOLDER ADVISERS ARE GEARING UP FOR AN EVEN MORE EVENTFUL 2019 WITH A ROUND OF NEW HIRES, WRITE ELANA DURÉ, ELEANOR O'DONNELL, AND JOSH BLACK.

Banks, law firms, public relations consultancies, and proxy solicitors have all expanded their teams in an effort to provide corporate and activist clients with seasoned and thoughtful expertise in the new year. The uptick in personnel at existing practices and the emergence of new firms speak to the fact that shareholder activism is as prevalent as ever. Indeed, most of the players interviewed for this issue of *Activist Insight Monthly* expect to see an increase in activity in 2019.

INVESTMENT BANKS

JEFFERIES

CHRIS YOUNG (FROM CREDIT SUISSE)

Chris Young, who is widely credited with developing the models for both contested situations research during his time at Institutional Shareholder Services and activism defense at investment bank Credit Suisse, is moving on to something new. After eight years at Credit Suisse, Young joined Jefferies in August to help develop the bank's relationship with issuers.

Rich Handler's firm had become known for its capital-raising initiatives for blue chip activists like **Carl Icahn** and **Bill Ackman** but will now be joining the pack of banks helping companies help themselves.

"Public companies continue to face an increasingly contentious environment, from hostile bids to friendly deals contested by investors, to directors and senior managers facing public criticism for everything from strategy to corporate governance," Young told *Activist Insight Monthly*. "As such, financial advisers to directors and management teams need to have relevant experience to offer intelligent advice to clients with respect to the evolving and challenging dynamics facing public companies today."

CREDIT SUISSE

CHRISTOPHER LUDWIG (INTERNAL)

Investment bank Credit Suisse named Christopher Ludwig as its head of strategic shareholder advisory this past month. The six-year veteran of Credit Suisse's M&A Group has worked on defense assignments in consumer, industrials, energy, and the technology, media and telecom (TMT) sectors, according to an internal company memo seen by *Activist Insight Online*. Ludwig will be based in New York and focus on corporate governance, contentious M&A, proxy fights, and takeover battles.

The memo also noted Ludwig's past legal experience, including a JD degree from Tulane University and work for two top American law firms. "[Ludwig's] combined experience in both the legal and financial services fields is a valuable asset and will serve him well in his new role," the memo said.

HOULIHAN LOKEY

MARK MIKULLITZ (DEUTSCHE BANK)

Activist Insight Online broke the news mid-February that Los Angeles-based boutique Houlihan Lokey would be getting a head of activism defense for the first time. The bank will continue to represent activists, a spokesman told *Activist Insight Online*, but Mark Mikullitz will focus on defense.



"RECENT OWNERSHIP TRENDS AND THE INCREASING DOMINANCE OF INDEX AND QUANT FUNDS SETS UP EVEN GREATER CHALLENGES FOR MANAGEMENT TEAMS IN THE MIDDLE MARKET."

"Our focus among mid-cap clients will still be on ensuring they are prepared for the continued emergence of new activists of varying quality, an increase in M&A-focused campaign agendas, and tackling 'hot button' governance issues to maximize institutional shareholder support when it is most needed." Mikullitz told *Activist Insight Monthly*. "Recent ownership trends and the increasing dominance of index and quant funds sets up even greater challenges for management teams in the middle market, where it can be a struggle to understand what shareholders really think."

INVESTMENT BANKS

MOELIS & CO

TED MOON (RED MOUNTAIN CAPITAL PARTNERS)
PETER DA SILVA VINT (BLACKROCK)

Joining Craig Wadler's shareholder defense team at Moelis & Co in November and December (respectively) are former Red Mountain Capital Partners' principal, Ted Moon, and ex-BlackRock vice president, Peter da Silva Vint. The two executive directors told *Activist Insight Monthly* that the complementary experiences of a banker, an activist, and an institutional investor often led them to the same place but provided a more rounded picture as activists work to appear more sophisticated.

"Activists are only getting stronger," da Silva Vint said in an interview, adding that comes from better relationships with institutional investors and deep research. "When they ultimately decide to act on an idea, it's based on the type of modeling you'd get from an investment bank."

After giving up its activist clients last year, Moelis went and recruited its own in-house activist in Moon. "I am still identifying companies the same way I did as an activist, but now the goal is to work with companies preemptively to deter an activist from showing up," Moon told *Activist Insight Monthly* about his move. "While I believe that activists have good value creation theses, there is always some kind of tension no matter how constructive an activist claims to be; this role gives me an opportunity to work collaboratively alongside companies as an adviser on initiatives that can enhance shareholder value."

GOLDMAN SACHS

DAVID DUBNER (INTERNAL)
PETER MICHELSEN (CAMBERVIEW PARTNERS)

Goldman Sachs appointed David Dubner and Peter Michelsen as co-heads of activism and shareholder advisory for the Americas in November. Prior to leading the group, Dubner was a managing director in the bank's M&A practice. He joined the firm in 2006. Michelsen,

meanwhile, rejoined Goldman Sachs in July after a four-year stint with CamberView Partners. He originally joined Goldman Sachs in 2005 as a managing director in M&A.

The advisers told *Activist Insight Monthly* that M&A often provides opportunities for shareholders to realize the value of their investments, especially when activists push for better deals. "It's been pretty robust. This has really been the logical time for folks to get involved," Michelsen noted.

As for environmental, social, and governance (ESG) matters, the duo acknowledged that governance is still the main focus for activists. "Activists often employ a 'capital G' argument as a wedge issue when they seek board representation," Dubner said. "While these arguments will be painted with the broad lens of ESG, we need to be wary that in some cases that ESG is being used as a rouse."

PJT CAMBERVIEW ACQUISITION ANNE SHEEHAN (CALSTRS)

When Camberview launched in 2013, it effectively created a new industry for investor-focused governance advisory, shorn of the traditional services of proxy solicitation, legal advice, and press outreach. October 2018 saw it acquired by investment bank PJT for \$100 million in equity and \$65 million in cash, a sign of just how valuable understanding shareholder sentiment has come to be in the burgeoning defense industry that covers activism, M&A, and compensation.

"At a time when activists are becoming bolder and boards and management teams need to be on their front foot, we've already begun to see the benefits of our combined relationships and expertise across our global advisory platform," said Abe Friedman, founder of Camberview and the current head of the unit. "We are excited about the opportunities ahead for our combined business."

Camberview's hiring spree hasn't stopped either. Two weeks after closing the PJT deal, Anne Sheehan joined the bank as a senior adviser, following a decade leading the governance team at the California State Teachers' Retirement System (CalSTRS) and a succession of leadership roles in industry groups.

LAW FIRMS

CADWALADER,
WICKERSHAM & TAFT

STEPHEN FRAIDIN (PERSHING SQUARE)

Stephen Fraidin left big law in 2015 after over 40 years at Fried Frank and Kirkland & Ellis to join Bill Ackman's Pershing Square Capital Management but as of June is back in private practice at Cadwalader, Wickersham & Taft – bringing experience from both sides of the table. "I learned a lot more about the inner workings of asset management – about regulatory and fund management issues," Fraidin told *Activist Insight Monthly* in a recent interview. "Secondly, I was on the other side of the table from outside law firms and learned a lot about what clients look for and what firms are good at delivering."

Following in the footsteps of Richard Brand, now co-chairman of Cadwalader's corporate practice and a former colleague of Fraidin's at Kirkland & Ellis, the veteran lawyer will be advising issuers on M&A, activism defense, and corporate governance, as well as activists. "I feel fortunate to be at Cadwalader because this is such a high-quality firm," Fraidin added. "I think we supply both companies and activists with a more balanced approach."

Among Cadwalader's recent achievements was last year's full-board sweep at Destination Maternity, but not all its campaigns are so bullish. The firm has also helped negotiate settlements at D.E. Shaw targets EQT, Lowe's, and Bunge. In recent years, corporates have become more measured and rational in their response to activism, Fraidin said. "The other side is that activists are developing more nuanced, subtler ideas that are, to a greater extent, focused on the long-term value of the businesses they're invested in."



"I WAS ON THE OTHER SIDE OF THE TABLE FROM OUTSIDE LAW FIRMS AND LEARNED A LOT ABOUT WHAT CLIENTS LOOK FOR AND WHAT FIRMS ARE GOOD AT DELIVERING."

KING & SPALDING

RICHARD FIELDS (TAPESTRY NETWORKS)

Richard Fields will coordinate King & Spalding's corporate governance advisory practice, joining the firm in February as its director of corporate stakeholder engagement. In the new role, Fields will advise public companies on current and emerging corporate governance trends as well as advise the corporations on shareholder engagement issues. "It's an opportunity to do some good," he told *Activist Insight Monthly*.



"I THINK THE BIG QUESTION THIS YEAR IS HOW THE NON-ACTIVISTS ASSERT THEMSELVES."

Prior to joining King & Spalding, Fields served as a partner at Tapestry Networks, where he led corporate governance networks and projects. Fields also co-chaired the Shareholder-Director Exchange Working Group and was a principal architect of the SDX Protocol, a guide for shareholder engagement. "The integration has probably been the smoothest transition between two jobs I've ever had," he said of his move to King & Spalding.

Fields said 2019 could present an opportunity for institutional investors to be more forceful with their portfolio holdings. "I think the big question this year is how the non-activists assert themselves," he noted. He listed Neuberger Berman's recent engagement with Ashland Global as an example, noting that the asset manager agreed to support Ashland in a proxy contest if the firm committed to a board refreshment. "The passives may see this as a strategy that is good for them," Fields said.

LAW FIRMS

GRANT & EISENHOFER

JONATHAN OESTREICH (SPOTLIGHT ADVISORS)

Grant & Eisenhofer expanded its shareholder activism platform in January with the addition of Jonathan Oestreich as a director. Under his direction, the firm will work with hedge funds, asset managers, and other investors seeking constructive change at corporations. The firm's new push for shareholder engagement comes as passive investors increasingly align themselves with activists to ensure enhanced returns and advocate for improved governance. "We're finding ways to provide tangible value to shareholders in activist situations," Oestreich told *Activist Insight Monthly*.



"WE'RE FINDING WAYS TO PROVIDE TANGIBLE VALUE TO SHAREHOLDERS IN ACTIVIST SITUATIONS."

Prior to joining Grant & Eisenhofer, Oestreich served as a managing director at **Spotlight Advisors** where he worked with issuers targeted by activists. His background provides him with the relevant skills necessary to advise clients on corporate governance, M&A, and more.

Oestreich anticipates 2019's volatile market will encourage activists to become more diligent and disciplined with their target companies, providing corporations with more thorough and thought-out theses. "If activists are bringing good suggestions, it's good for shareholders," he said.

The adviser also predicted more activists will pay attention to environmental, social, and governance (ESG) matters since ESG has become a major concern for the largest institutions and asset managers.

IR FIRM

THE BLUESHIRT GROUP

WAHEED HASSAN (ALLIANCE ADVISORS)

Investor relations firm The Blueshirt Group retained Waheed Hassan in September to launch its corporate governance and activism defense practice. As a managing director, Hassan will help corporate clients in the technology sector manage the risk associated with activism as well as assist clients with proxy adviser engagement in high profile contested mergers.

"Think of it as enhanced IR," Hassan told *Activist Insight Monthly*. "We combine our client knowledge with my prior experience developing white papers for activists to identify vulnerabilities that an activist can exploit. This enables clients to better assess their 'weak spots' and develop a more effective response plan."

Hassan joined Blueshirt from **Alliance Advisors** where he was the co-head of the proxy solicitor's M&A and activism defense practice. Before that, Hassan served as a manager of M&A and proxy contest research at proxy adviser Institutional Shareholder Services (ISS). "[A] key differentiation is our ability to provide a perspective from the view of shareholders and proxy advisory firms such as ISS. All this allows us to better prepare our clients for an activist situation," he said.

Hassan noted that there has been an uptake in shareholder engagement at tech companies within the past few years. Specifically, investors have increasingly put pressure on laggards to explore strategic alternatives. The adviser said stakeholders are mostly concerned with tech firms' growth, scale, and plans for value creation.



"WE COMBINE OUR CLIENT KNOWLEDGE WITH MY PRIOR EXPERIENCE DEVELOPING WHITE PAPERS FOR ACTIVISTS TO IDENTIFY VULNERABILITIES THAT AN ACTIVIST CAN EXPLOIT."

PROXY SOLICITORS

GEORGESON

CAS SYDOROWITZ (INTERNAL)
ANDREW THAIN (MORROW SODALI)

Cas Sydorowitz has been with proxy solicitation firm Georgeson for more than 20 years and in October 2018 was promoted to the role of global head of activism and M&A. Sydorowitz told *Activist Insight Monthly* that this new role has been created as investor activity rises both in public proxy fights and behind the scenes. The newly-appointed head explained that there is also an increase in “cross-board and international situations as well as M&A activity.” In his new role, Sydorowitz will “better leverage [Georgeson’s] global resources and expertise in delivering best practice to [its] diverse client base.” Previously he mainly focused on Northern Europe with exposure to Asia.

As the “central point of contact for activism” in the firm, Sydorowitz will focus on activism at all levels, enabling him to bring market knowledge from all over the world into local teams. Sydorowitz sees activism expanding through the new year, with communication channels such as social media making it easier for activists to target larger audiences. Explaining that activists will be headed toward Asia, Sydorowitz claimed that “activists will be pushing on an open door. Issuers in markets that haven’t been experiencing major activist situations yet should get prepared to face the challenge.”

Separately, Andrew Thain was appointed managing director of Georgeson’s Australian branch. “Andrew is known for his consultative approach and deep understanding of clients’ needs in order to deliver successful outcomes,” Sydorowitz said. “His breadth of knowledge will be valued by clients in country.”



“SYDOROWITZ SEES ACTIVISM EXPANDING THROUGH THE NEW YEAR, WITH COMMUNICATION CHANNELS SUCH AS SOCIAL MEDIA MAKING IT EASIER FOR ACTIVISTS TO TARGET LARGER AUDIENCES.”

D.F. KING

GEOFFREY WEINBERG (WEIL, GOTSHAL & MANGES)

Geoffrey Weinberg is D.F. King’s newly-appointed senior vice president, after getting to know members of the extraordinary events group, and others, in his previous role as an M&A attorney at **Weil, Gotshal & Manges**. Weinberg told *Activist Insight Monthly* that his new role “differs tremendously behind the scenes” compared to his old job but that client interactions are pretty much the same. With clients who are not as familiar with the process of a proxy fight, Weinberg says his job is “to guide them through the process and provide them the best information to accomplish their goals,” both on the activist and the company side. “At DFK we are often advising clients on unfamiliar and extraordinary events.”



“AT DFK WE ARE OFTEN ADVISING CLIENTS ON UNFAMILIAR AND EXTRAORDINARY EVENTS.”

Looking into the rest of the year, Weinberg outlined several trends from the growth of global activism that are continuing to make an impact. Weinberg pointed to the “new generation of activist investors” that have either worked for big-name investors or admired them from afar before branching out on their own to target small- and mid-cap companies. He also outlined the reduced aversion to activism in international markets, explaining that activists are pushing away from the volatility in the U.S. and delving into European and Asian markets. These campaigns, however, are “bespoke and often less aggressive.” Lastly, the idea of activism is becoming “less intimidating” to shareholders, who, according to Weinberg, have begun pushing for changes at companies, creating non-traditional and sometimes accidental activism.

PROXY SOLICITORS

INNISFREE

GABRIELLE WOLF (SKADDEN, ARPS, SLATE,
MEAGHER & FLOM)

Innisfree expanded its proxy solicitation team in October, hiring Gabrielle Wolf as a director. Wolf previously worked as an attorney with **Skadden, Arps, Slate, Meagher & Flom**, specializing in shareholder activism, M&A transactions, and corporate governance.



“[PROXY SOLICITATION IS]
A DIFFERENT PIECE OF THE
PUZZLE THAT I’VE BEEN
WORKING ON.”

At Innisfree, Wolf will advise both companies and investors on all aspects of shareholder engagement, including proxy contests, hostile and friendly acquisitions, shareholder activism, contested shareholder meetings, corporate governance, and more. “I think they are the best in the business,” Wolf told *Activist Insight Monthly* of Innisfree. “[Proxy solicitation is] a different piece of the puzzle that I’ve been working on.”

Wolf suspects M&A transactions will remain a “focal point of activist pressure” in the new year. She also predicts 2019 will see an increase in the public role of active and passive managers in contested situations and a continued focus on boardroom diversity.

OKAPI PARTNERS

ALEXANDRA HIGGINS (INSTITUTIONAL
SHAREHOLDER SERVICES CORPORATE SOLUTIONS)

Okapi Partners hired Alexandra Higgins as a managing director in March of last year to counsel clients on governance and compensation issues, as well as other ESG matters. Higgins joined Okapi from Institutional Shareholder Services Corporate Solutions, where she served as vice president and head of U.S. partner advisory services. “I was initially attracted to Okapi Partners for its work as a leader in corporate governance and shareholder activism,” she told *Activist Insight Monthly*.

Higgins is currently working with **Appaloosa Management** on a shareholder proposal to separate the chairman and chief executive roles at **Allergan**. She is also advising **MNG Enterprises** in its bid to acquire **Gannett**.



“DESPITE THE GROWING DESIRE
BY COMPANIES TO ENGAGE
WITH THEIR INVESTORS, IT’S
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ARE HELPING OUR CLIENTS
UNDERSTAND THAT AND FOCUS
ON THEIR EFFORTS.”

“The biggest challenges we’ve had this year have been matching our clients and investors’ expectations around engagement and outreach,” Higgins noted. “Despite the growing desire by companies to engage with their investors, it’s not always a guarantee that investors want to engage with a specific company, so we are helping our clients understand that and focus on their efforts.”

PROXY SOLICITORS

BOUDICCA PROXY CONSULTANTS

NICHOLAS LAUGIER (GEORGESON)

Shareholder engagement and corporate governance expert Boudicca Proxy Consultants recruited Nicholas Laugier as its new director of operations and development in October. In his new role, Laugier ensures that his eight-strong operational team is delivering projects of the highest quality to Boudicca's clients.

Laugier began his career in banking, working with Halifax and The Co-operative Group before making the jump to corporate advisory in 2009. Laugier has been involved in over 250 projects within the proxy solicitation sector over the last decade and has previously worked as a corporate adviser at **Georgeson** and a director at **D. F. King**.

MORROW SODALI

VINCENT DI COSTA (DI COSTA PARTNERS)

Proxy solicitor Morrow Sodali brought its fund solicitation in-house by hiring Vincent Di Costa in January as head of strategic and solicitation services for mutual and exchange-traded funds (ETFs). Di Costa, a 35-year veteran of soliciting investors in funds, told *Activist Insight Online* that Morrow Sodali and his firm, Di Costa Partners, would share expertise in governance advisory and vote projections, as well as Morrow Sodali's shareholder identification capabilities and global reach.

MORROW
SODALI

“TOGETHER, MORROW SODALI AND DI COSTA PARTNERS ARE EQUIPPED TO REACH THE FULL SPECTRUM OF SHAREHOLDERS.”

“The vision behind this business combination is very much focused on the future and on the growing importance of retail investors,” Morrow Sodali CEO Alvis Recchi said in a statement. “Together, Morrow Sodali and Di Costa Partners are equipped to reach the full spectrum of shareholders, regardless of whether their shares are registered, held in street name, or through mutual funds or ETFs.”

ALLIANCE ADVISORS

JAMES MILLER (ISS)

Alliance Advisors named James Miller a managing director in its corporate governance group in February. Peter Casey, executive vice president of the proxy solicitation group, noted in a press release that Miller “brings a wealth of knowledge in finance, valuation, and corporate governance issues that will enhance [Alliance's] ability to provide the best governance advisory services to our 400 proxy solicitation clients.”

Miller will use decades of institutional knowledge in corporate governance and finance, M&A, shareholder engagement, and fund management to the new position after 10 years at Institutional Shareholder Services (ISS) and many corporate finance firms. During his time at ISS, Miller served as the senior analyst on the M&A edge team, deputy head of U.S. research, and head of the firm's financial sector group. Prior to his work at ISS, Miller worked in positions in engineering and finance in public companies, including **United Technologies**, **Allied-Signal**, and **Beckman Coulter**.

Miller “has written hundreds of reports on economic, corporate governance, executive compensation, and environmental and social issues that will assist our clients with expert advice prior to them finalizing their proxy agenda and during the shareholder engagement process with institutional investors,” Reid Pearson, executive vice president of the corporate governance group, added.

PUBLIC RELATIONS FIRMS

ICR

LYNDON PARK (DIMENSIONAL ADVISORS)

Lyndon Park joined public relations firm ICR in November to establish its governance advisory solutions practice. As managing director and head of the group, Park advises public companies on corporate governance matters, including how to effectively engage with institutional investors to establish constructive, long-term relationships.

Before joining ICR, Park served as the head of global corporate governance at Dimensional Advisors and as a vice president for BlackRock Investment Stewardship. “Clearly there are differences when you jump from ‘doing’ governance as a fiduciary to advising clients,” Park told *Activist Insight Monthly*. “This said, the transition has been easier than I’d anticipated.”

So far this year, Park has collaborated with Luby’s defense team to help the company secure a win for its incumbent directors in its proxy battle with **Bandera Partners**. A week before the vote, the firm offered to find a new chairman and two new directors in an effort to refresh its board. Nonetheless, Park admitted it was sometimes easier to convince corporations to proactively improve their governance and sustainability programs from his “investor’s perch.”

“Being a new entrant in this space, I’ve observed that there is by and large an entrenched and cynical sentiment that the advisers approach their clients simply as mercenaries, and that many companies use the advisers for whatever proxy endgame suitable for the season,” he said. “Whether through my direct work with my clients or continued work on thought leadership in the governance space, my one challenge and goal is to break this paradigm.”



“THERE IS BY AND LARGE AN ENTRENCHED AND CYNICAL SENTIMENT THAT THE ADVISERS APPROACH THEIR CLIENTS SIMPLY AS MERCENARIES.”

REEVEMARK

NEWLY LAUNCHED

Five former managing directors at **Sard Verbinen** launched Reevemark in September as a strategic communications firm focused on shareholder activism, investor relations, crisis management, strategic transactions, and litigation support. The consultancy will be led by CEO Brandy Bergman. Other founding members include Hugh Burns, Paul Caminiti, Delia Cannan, and Renée Soto. The partners on average have 20 years of experience in the field. “We had an excellent experience at Sard Verbinen, but we got to the point in our careers where we wanted to do something on our own,” Burns told *Activist Insight Monthly* in an interview.



“WE’RE IN IT FOR THE LONG-HAUL. WE WANT TO BE ONE OF THE TOP FIRMS IN THE SPACE OVER THE NEXT 10 TO 15 YEARS.”

The young firm has already scored corporate clients like **MNG Enterprises**, which advanced a hostile bid for **Gannett** in January, and **Bristow Group**, which last month abandoned its acquisition of Columbia Helicopters amid shareholder opposition to the deal.

“We’re in it for the long-haul. We want to be one of the top firms in the space over the next 10 to 15 years,” Burns noted. “We’re finding that clients and advisers appreciate that we bring an engaged and energized senior team to each project, focused on adding value whether behind the scenes or on the front lines,” Caminiti added.

In the coming year Reevemark expects to see a higher level of engagement from traditional funds, a greater focus on environmental, social, and governance (ESG) concerns by activists, and a continued trend toward preparation for activism at the company level.

UK GOVERNANCE ADVISORY

GOVERNANCE ADVISORY FIRMS STATERA PARTNERS AND SQUAREWELL PARTNERS EMERGED IN THE LAST YEAR, EMPHASIZING THE IMPORTANCE OF GOVERNANCE TO U.K. FIRMS AS DEMANDS FROM INVESTORS INCREASE AND COMMUNICATION BEGINS TO CHANGE BETWEEN COMPANIES AND THEIR SHAREHOLDERS.

STATERA PARTNERS

NEWLY LAUNCHED

Statera co-founder Michael Henson told *Activist Insight Monthly* that he and John Dawson decided to launch the firm in March 2018 due to changing interactions between investors and companies that are “giving rise to new issues.” Henson outlined the changing landscape for activism in the U.K. with collective action, global share registers, and the changes to the U.K Corporate Governance Code, creating a need for non-executive directors demonstrating strong corporate governance and open engagement with shareholders.

Henson and Dawson determined the issues arising from this new climate and outlined how executives and boards could approach governance and create shareholder value. They set up Statera to provide “truly independent, impartial, and experienced advice” to help companies actively and constructively interact with investors. The pair also outlined the rise in activism in the U.K., noting that it sees some traditional “U.S. style” interactions as well as institutional investors’ increased willingness to express discontent.

“By building a relationship of mutual trust with investors with the assistance of an objective third party, we believe that boards can better empower management to execute on a strategy, and that both boards and management teams will be able to retain maximum optionality and the right to self-determination,” said Henson.



“WE BELIEVE THAT BOARDS CAN BETTER EMPOWER MANAGEMENT TO EXECUTE ON A STRATEGY.”

SQUAREWELL PARTNERS

NEWLY LAUNCHED

SquareWell Partner Ali Saribas told *Activist Insight Monthly* that he sees the landscape getting more complex, with more frequent and varied demands from investors. Saribas therefore teamed up with Bess Joffe and Louis Barbier to discuss pressure points with different companies and investors. The team determined that there is a need for “year-round advice, that [is] supported through actionable data” as opposed to the current firms that offer reactionary services to companies, focusing on one specific area. SquareWell was launched in October 2018.



“THERE IS A NEED FOR ‘YEAR-ROUND ADVICE, THAT [IS] SUPPORTED THROUGH ACTIONABLE DATA.’”

Saribas outlined the market gap for a service benefiting both companies and investors and explained that SquareWell is stepping into the space, “improving companies’ preparedness and educating them to see engagement as a strategic opportunity,” whilst pushing them to be more proactive. SquareWell provides quantified governance risks based on specific shareholder bases while also helping companies understand “different behaviors exhibited by each investor in activist situations” so they can prioritize engagements and tailor communication.

“The increased sophistication of stewardship at both active and passive shops raises the question of whether activism remains as an investment strategy or if it has become a mainstream behavior,” explained Saribas. “Our view is that it has become the latter.”

SPRINGTIME IN SAN FRANCISCO

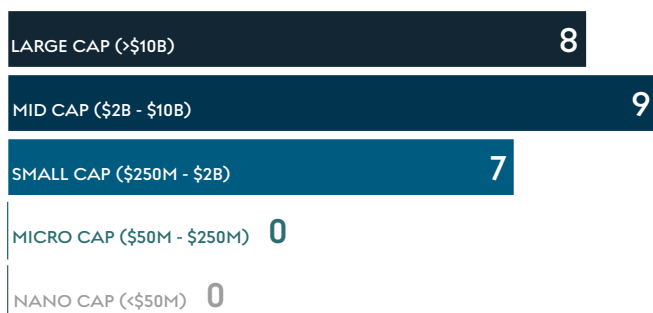
THE WEST COAST'S LEADING ACTIVIST, VALUEACT CAPITAL PARTNERS, RARELY SURFACES BUT MOVES QUICKLY. 2019 COULD BE A MAJOR TURNING POINT, WRITES JOSH BLACK.

VALUEACT CAPITAL PARTNERS	
FOUNDED	2000
LOCATION	SAN FRANCISCO, CA
KEY PEOPLE	MASON MORFIT, CIO JEFF UBBEN, CEO
FOCUS	PRIMARY

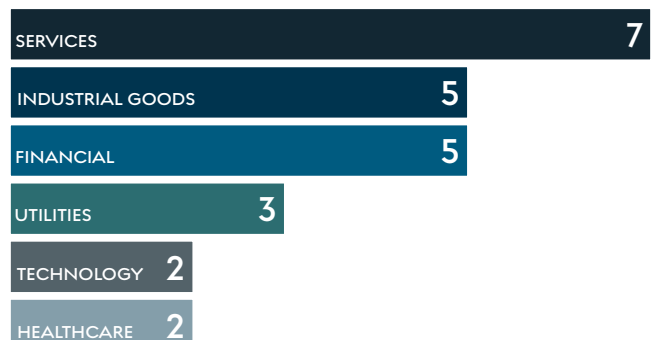
COMMON BOARD REPRESENTATIVES*



CURRENT INVESTMENTS BY MARKET CAP**



CURRENT INVESTMENTS BY SECTOR**



SOURCE: ACTIVIST INSIGHT ONLINE & ACTIVIST INSIGHT GOVERNANCE
*SINCE 2013; **AS OF FEBRUARY 28, 2019

At the start of his second full year in charge of ValueAct's main portfolio, Mason Morfit has something to show for his labors. Earlier this year, the San Francisco-based activist struck two significant agreements with portfolio companies. The first, at Japanese medical devices giant **Olympus**, gave it a say in three board seats, including one for Robert Hale – a partner in the fund. The second, at **Citigroup**, came with some information sharing privileges but held off the offer of a board seat until another fund partner, Kelly Barlow, steps down from the board of Alliance Data Systems, which competes with Citi.

The hard work for both investments starts now. Citigroup has underperformed its peers over the last year and trades at less than book value, according to *Activist Insight Vulnerability*. Olympus is planning to reorganize into two divisions from five and improve its cash flow after three years of inflated spending.

SOFTLY, SOFTLY

To broker a transition of power in Japan – barely halfway through a strategic plan – ranks as an impressive achievement for an activist that has only ever run one proxy fight, more than a decade ago at **Acxiom**. In 2016, it became the first activist to win a board seat at a FTSE 100 company, at **Rolls-Royce Holdings**.

ValueAct declined to be interviewed by *Activist Insight Monthly* but people who have observed the fund at close quarters indicated that it relies on three factors to maintain its influence: being the acceptable face of activism, doing research on other shareholders, and providing durable capital.

Past board seats include News Corp – where the Murdoch family has de facto control – and **Seagate Technology**, where ValueAct was invited to invest in the company. One lawyer spoke of advising a client facing two activists and hoping ValueAct would make a move for board seats as a deterrent to the other. Instead, ValueAct sold its shares.

“They often reference a network of CEOs,” Bryan Schneider, managing director of investment research at

“I’VE BEEN ON BOARDS WHERE WE THINK LESS OF OTHER CONSTITUENCIES AND MORE OF SHAREHOLDERS THAN WE PROBABLY SHOULD, SO I’VE TRIED TO EVOLVE.”

EnTrustPermal – an investor with ValueAct – told *Activist Insight Monthly* in an interview. “One of the things they do that’s definitely different is a much more friendly outreach to see how far their network can get them. I think that was very important at Olympus with the company’s reference checks.”

“WHEN COMPANIES WOULD RATHER DEAL WITH THEM AND INDEX FUNDS BELIEVE IN THEM, YOU HAVE A PERFECT STORM.”

“They are as long term as it gets within the activist world,” a banker noted. “When companies would rather deal with them and index funds believe in them, you have a perfect storm.” According to *Activist Insight Online*, ValueAct’s average holding period in the U.S. is just under four years at companies where it has made a public demand.

Yet while proxy fights have been largely absent from ValueAct’s playbook, it hasn’t expressly ruled them out; **Microsoft** and Olympus were rumored to have been threatened with contests and ValueAct CEO Jeff Ubben has been named to BlueMountain’s slate at PG&E. In January 2015, MSCI resisted ValueAct’s entreaties. “We

strongly encourage the board to engage directly, without management or advisers, with the company’s larger shareholders to gain their perspectives on management’s performance and on their interest in a major change in the governance of the company,” Ubben wrote in a letter to directors. Three weeks later, MSCI turned over three seats.

“Every activist says we know your shareholders better than you do, and some of them really work at it,” said Chris Cernich, the managing partner of Strategic Governance Advisors. “ValueAct are trusted on it.”

GREEN IS GOOD

2018 was a pivotal year for ValueAct. Six months after handing Morfit the reins to the portfolio, Ubben unleashed the Spring Fund, a small, separate pool of capital that focuses on companies that have the potential to deliver returns from providing sustainable alternatives to current services.

The Spring Fund has since made eight public investments and gained board seats at three of them. Like the main portfolio, the fund has been pulling in five-year money, although it isn’t clear how much capital it has raised. A peer, Jana Impact, has yet to launch while only a small handful of activists are able to talk confidently about the ways in which they have integrated environmental, social, and governance (ESG) factors into their investment decisions.



VALUEACT SECURED THREE SEATS AT JAPAN’S OLYMPUS IN JANUARY.

“ONE OF THE THINGS THEY DO THAT’S DEFINITELY DIFFERENT IS A MUCH MORE FRIENDLY OUTREACH TO SEE HOW FAR THEIR NETWORK CAN GET THEM.”

“I’ve been on boards where we think less of other constituencies and more of shareholders than we probably should, so I’ve tried to evolve,” Ubben said in a recent CNBC interview from Davos. The companies targeted “are in the problem but they have the technology to be part of the solution and this technology is cheaper, with time and with investment.”

“EVERY ACTIVIST SAYS WE KNOW YOUR SHAREHOLDERS BETTER THAN YOU DO, AND SOME OF THEM REALLY WORK AT IT.”

As an activist that has aligned himself with long-termism in business, from the World Economic Forum to the Commonsense Principles – a Warren Buffett-endorsed partner of the Business Roundtable – Ubben is welcomed into rooms other activists are not.

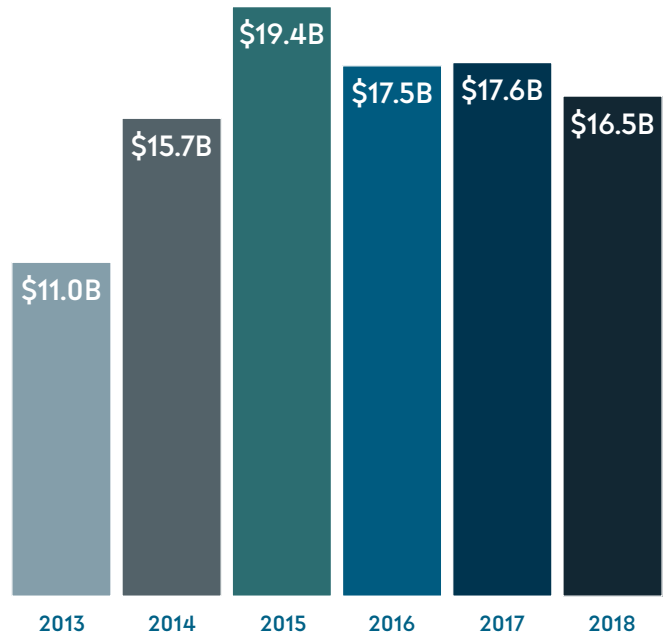
WINSTON WOLF OF WALL STREET

For that, it has Bill Ackman to thank. Ackman’s **Pershing Square Capital Management** bore the brunt of losses and opprobrium from the collapse of **Valeant Pharmaceuticals International** in 2015. ValueAct, which had served on the company’s board as its acquisitive, innovation-slashing strategy had been developed, had already crystalized profits.

All of the half-dozen activism watchers interviewed for this profile agreed ValueAct had escaped blame for the situation and a number speculated ValueAct was conscious that the taint still lingered. That may explain why ValueAct has remained on the board of Valeant – now known as Bausch Health – with a 5% stake.

If Pershing Square was shaken by the Valeant experience, ValueAct had experience in crises. Ubben served on the board of Martha Stewart Living Omnimedia when its eponymous founder was sent to prison for insider trading at ImClone. He credits the demands of the crisis with giving the then 25-year-old Morfit the space to establish himself as “first among equals” back at the office, according to a Financial Times interview from 2017.

ASSETS UNDER MANAGEMENT BY YEAR



SOURCE: ACTIVIST INSIGHT ONLINE



VALUEACT HAS PROVEN ITSELF WILLING TO STICK WITH SCANDAL-HIT COMPANIES, INCLUDING BAUSCH HEALTH.

“VALUEACT HAS BUILT A FANTASTIC BUSINESS WITH A VERY STABLE CAPITAL BASE AND A SIMPLISTIC BUSINESS MODEL, EMPHASIZING ONE FUND.”

And ValueAct has been creative, as well as dogged, in its pursuit of value creation. In 2007, it bought a stake in piano maker **Steinway Musical Instruments** at around \$32 per share. Four years later, with the global financial crisis hurting demand for luxury pianos, it partnered with South Korean shareholder Samick Musical Instruments to buy the company’s entire class of supervoting shares – retiring them to ensure equal voting rights for all shareholders. In 2013, the company was sold for \$40 per share after a short bidding war.

FUTURE DIRECTIONS

So far, Morfit’s leadership has been a seamless transition. ValueAct has kept its friendly reputation, ventured into a new market with rapid acceptance, and left Ubben free to experiment with new strategies. The future looks assured, as Schneider notes: “ValueAct has built a fantastic business with a very stable capital base and a simplistic business model, emphasizing one fund,” he said. “The depth and seniority of its team in terms of engagement, board representation – most other activists aren’t quite there yet.”

But is it business as usual, with a new hobbyhorse ESG fund bolted on, or the first step toward a more global,

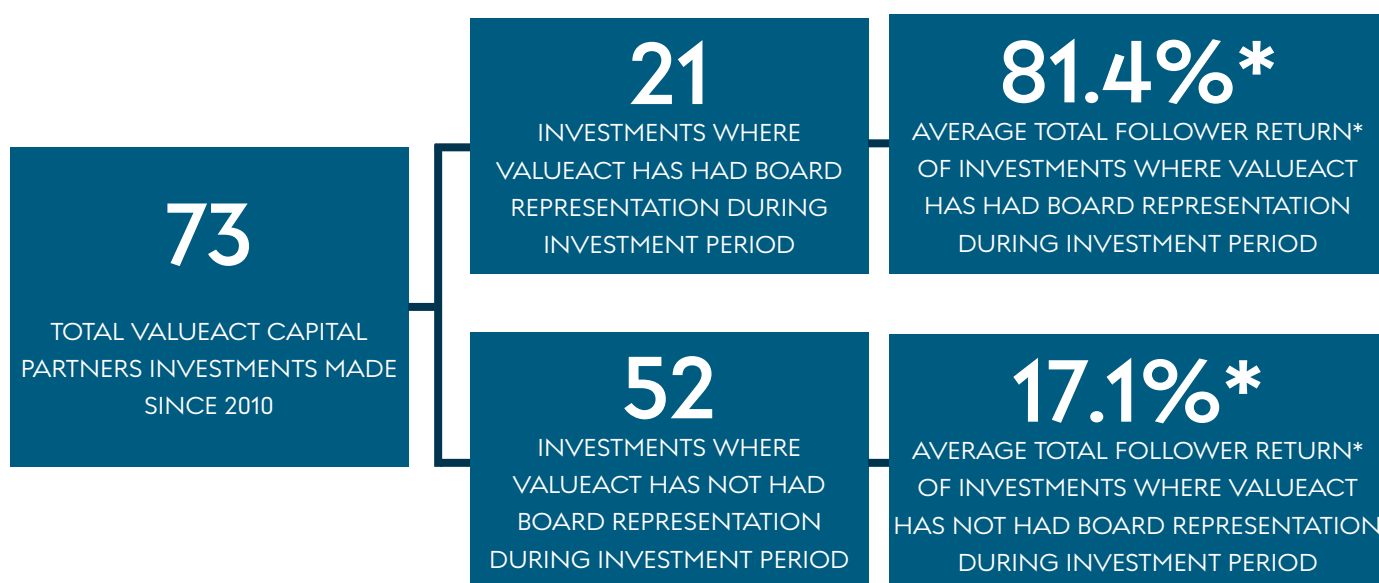
all-encompassing search for stakeholder value? “You haven’t seen significant changes in portfolio construction methodology,” Schneider said. “I think they have a very similar philosophy on how to manage money and what makes a good investment.”

Concurrent with Morfit’s rise at ValueAct is a heavy rotation into financial stocks. The activist owns two banks – **Morgan Stanley** and Citigroup – private equity firm **KKR**, property manager **CBRE**, and credit services business **SLM**. Add in **Alliance Data Systems** and the portfolio is as stacked as the Spring portfolio’s is toward utilities. A move away from these stocks could be next.

The activist could also be considering moving on from **Armstrong World Industries** and **Trinity Industries**, both of which have spun off business units on ValueAct’s watch. Unusually, Ubben and Morfit have continued to hold both the old and new stocks resulting from the spin, where most activists pick their horses early on. **Armstrong Flooring** may yet need some work following a rough patch between May 2017 and August last year but could be on the mend.

New opportunities may beckon soon. How aggressively will ValueAct pursue them? [▶](#)

FOLLOWER RETURNS BY BOARD REPRESENTATION



SOURCE: ACTIVIST INSIGHT ONLINE

*RETURN FIGURES EXCLUDE FOUR INVESTMENTS IN THESE TOTALS FOR WHICH THERE IS NOT NECESSARY PRICE INFORMATION TO CALCULATE A RETURN.

**TOTAL FOLLOWER RETURN IS A CALCULATION OF STOCK PRICE CHANGE PLUS DIVIDENDS PAID FROM THE LATER OF THE FIRST CLOSE IN 2018 OR THE CLOSE ON THE DATE AN ACTIVIST’S FIRST INVOLVEMENT IS DISCLOSED UNTIL THE SOONER OF MARCH 04, 2019 OR THE DATE AN ACTIVIST DISCLOSES THAT THEY HAVE EXITED THE POSITION.

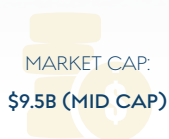
FEELING BLUE

BLUEMOUNTAIN CAPITAL MANAGEMENT HAS LAUNCHED A CAMPAIGN TO REPLACE THE ENTIRE BOARD OF UTILITY COMPANY PACIFIC GAS & ELECTRIC AFTER DISAGREEING WITH THE BOARD'S VIEW THAT BANKRUPTCY IS THE BEST WAY TO RESOLVE LOOMING LIABILITIES STEMMING FROM WILDFIRES IN CALIFORNIA, WRITES IURI STRUTA.

PG&E CORPORATION



SECTOR:
UTILITIES



MARKET CAP:
\$9.5B (MID CAP)



EXCHANGE:
NYSE



TICKER:
PCG



HQ:
SAN FRANCISCO, CA

“PG&E is solvent” has been **BlueMountain Capital Management**’s main message in its crusade against the Californian utility’s bankruptcy. Despite three public letters urging the board to delay filing for Chapter 11, the company went on to seek bankruptcy protection, prompting BlueMountain to nominate 13 directors to replace the entire board. PG&E’s subsequent promise to change a majority of the board before the annual meeting failed to soothe the activist.

However, the activist said conversations with PG&E are “collaborative” and it is willing to consider incumbent directors, marking a change of tone from its previous position that wholesale change was needed. Among the directors nominated by BlueMountain is **ValueAct Capital Partners** CEO Jeffrey Ubben, who has developed a taste for environmental, social, and governance (ESG) matters lately with the launch of his firm’s socially and environmentally conscious Spring Fund. Another ad hoc committee of investors represented by law firm Jones Day could nominate nine directors, according to Bloomberg, although they declined to reveal their names.

BlueMountain, a \$17 billion equity and credit fund, was founded in 2003 by Andrew Feldstein, a former credit trader at J.P. Morgan, and Stephen Siderow, a former McKinsey consultant. The firm has occasionally employed activist strategies over the past few years, although the PG&E action is clearly BlueMountain’s biggest activist situation.

Its last proxy fight was against Israel-based **Taro Pharmaceutical Industries**, where it lost two consecutive proxy contests through 2014, according to *Activist Insight Online*. In 2015, the activist gained board representation at **Overseas Shipholding Group** and, in 2017, it precipitated

the sale of **Ocean Rig UDW**. BlueMountain declined to comment for this article.

‘OTHER STAKEHOLDERS’

The campaign at PG&E, which is shaping up to be one of the biggest of 2019, is not a typical activist fight for change, but rather a call to arms in light of a crisis and management’s response to it. “It’s not surprising to see this level of angst and this rush to change the board as retribution for what BlueMountain perceives as a blatant disregard of the clear wishes of a significant number of shareholders,” Andrew Freedman, co-chair of **Olshan Frome Wolosky**’s activist & equity investment group, said in an interview with *Activist Insight Monthly*.

In this regard, the situation is similar to the activist campaign at **Darden Restaurants** in 2014, when a frustrated **Starboard Value** replaced all the directors in a proxy fight after the incumbent board failed to heed its calls not to sell the Red Lobster brand. In PG&E’s bankruptcy announcement, the firm addressed its “customers, employees and other stakeholders,” but the word “shareholders” did not appear at all, despite BlueMountain’s claims that some equity value will survive the arrangement.

SHAREHOLDERS FIRST

A board installed by BlueMountain would most likely increase its focus on shareholder interests, minimizing the chance investors will be wiped out in a bankruptcy. A 2014 study by Jared Ellias, associate law professor at UC Hastings, entitled “Do activist investors constrain managerial moral hazard in Chapter 11?” finds that the involvement of activist investors in bankruptcies “seems to be associated

“IT’S NOT SURPRISING TO SEE THIS LEVEL OF ANGST AND THIS RUSH TO CHANGE THE BOARD AS RETRIBUTION FOR WHAT BLUEMOUNTAIN PERCEIVES AS A BLATANT DISREGARD OF THE CLEAR WISHES OF A SIGNIFICANT NUMBER OF SHAREHOLDERS.”

with higher creditor recoveries,” such as a higher appraisal or sale that provides a better alternative compared with management’s plan. Among the 13 dissident nominees, there are five finance and investment professionals, including Marjorie Bowen, a former investment banker at Houlihan Lokey, and Alvaro Aguirre, a former managing director at investment bank Warburg Pincus.

BlueMountain believes PG&E stock can again trade around \$50 with “proper corporate governance and appropriate resolution of liabilities.” Although PG&E’s stock has lost more than half of its value since the November 2018 wildfires, the company still has a market capitalization of \$9.5 billion. Its balance sheet looks healthy, with total assets more than three times larger than its long-term debt at \$71.3 billion.

PG&E’s estimated \$30 billion in liabilities do not need to be paid right away and could potentially be reduced to less than \$10 billion, according to BlueMountain. “It could take up to a decade for this litigation to be resolved and exact judgements to be known,” the activist said in its first letter on January 17.

BANKREXIT

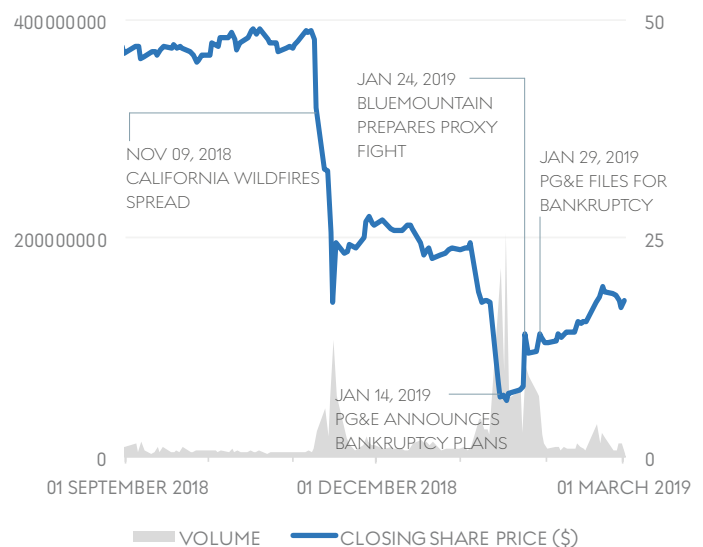
Whether bankruptcy is the best way to resolve PG&E’s mountain of liabilities is subject to debate. In an interview with *Activist Insight Monthly*, Elias said bankruptcy allows the company “to consolidate litigation in a single forum and to move things along faster.” It also raises the sense of urgency at the state level as the company may need legislative relief and help from the California Public Utilities Commission. “By filing for bankruptcy, they really shine a light on how distressed the company has become because politically it was becoming quite isolated,” Elias said.

BlueMountain has indicated that a new board may exit bankruptcy if it finds the company is solvent, yet Elias contends such a move is “extraordinarily unlikely.” It means PG&E will go back to defending itself in state courts all over California instead of dealing with one single court, according to Elias.

At the same time, transferring the myriad of disputes to a single court could lead to delays and additional expense and litigation. “You have a lot more constituencies in a bankruptcy case than would exist outside of bankruptcy. You have creditors’ committees, potentially several

additional ad hoc committees, you have shareholders’ committees, amongst other stakeholders,” Adam Friedman, a partner in Olshan’s bankruptcy & financial restructuring group, told *Activist Insight Monthly*. Friedman admits there may be some benefits to filing for Chapter 11 but notes shareholders often believe a company is more valuable outside of bankruptcy. 📈

PG&E’S 6 MONTH SHARE PRICE PERFORMANCE



ADVISER SPOTLIGHT

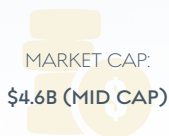
PG&E tapped law firms **Weil, Gotshal & Manges** and **Cravath, Swaine & Moore** to prepare for bankruptcy. Cravath, a defense law firm, has been involved in several high-profile campaigns in the past, including **Xerox**, **Qualcomm**, **Nestlé**, and **Lazard**, according to *Activist Insight Online*. The company also hired **Lazard** as its financial adviser and **AlixPartners** as its restructuring adviser. Among others, Lazard has previously defended **athenahealth** and **Alliance Trust** against **Elliott Management**.

Fewer details are available about BlueMountain’s advisers. The activist typically uses the PR services of **Dukas Linden Public Relations** but has hired **Finsbury** for the PG&E campaign. **MacKenzie Partners** was hired for proxy solicitation services.

BAD YEAR

IS THERE A FUTURE FOR AN ACTIVIST INVESTOR AT GOODYEAR TIRE AND RUBBER? WITH A PLUMMETING SHARE PRICE AND MINIMAL GROWTH, ACTIVIST INSIGHT VULNERABILITY PREDICTS THE TIRE MANUFACTURER MAY BE THE NEXT TARGET, WRITES ELANA DURÉ.

GOODYEAR TIRE & RUBBER



Ohio-based tire manufacturer **Goodyear** has been struggling with a rise in raw material costs, tightening credit conditions, and an unfavorable foreign currency translation of late. Such headwinds have caused the firm to lower its operating income projection for 2018, disappointing shareholders and prompting the share price to tumble nearly 30% over the last year.

“GOODYEAR HAS BEEN STRUGGLING WITH A RISE IN RAW MATERIAL COSTS, TIGHTENING CREDIT CONDITIONS, AND AN UNFAVORABLE FOREIGN CURRENCY TRANSLATION OF LATE.”

Goodyear lags peers in both performance and growth, leading *Activist Insight Vulnerability* to rank it in the 84th percentile of firms most vulnerable to an activist over the next nine months. The mid-cap company is no stranger to shareholder activism; **Marcato Capital Management** called

on Goodyear to return \$4.5 billion in cash to shareholders in August 2016. Since then, share repurchases have actually slowed and the company says it does not expect a significant buyback in 2019, although it has increased dividends. With total capital returned to investors under \$1 billion in 2017 and 2018, Goodyear’s one-year total shareholder return still lags peers at negative 27.7% versus negative 1.8%, according to *Activist Insight Vulnerability*. It may be time for another activist to launch a more concerted campaign at Goodyear.

“The problem with Goodyear is that it has a very inefficient cost base,” said Ashik Kurian, a Jefferies analyst covering the stock. “Its balance sheet is not so great, it has a high level of net debt, and its earnings aren’t enough to deleverage the company.”

All three segments at Goodyear have seen their operating incomes shrink in recent years. The greatest disparity was seen in the Americas, which generated only \$654 million in 2018, down from \$1.2 billion two years prior, according to the firm’s annual report. Altogether, the three geographic regions (Americas; Asia Pacific; and Europe, Middle East, and Africa) produced just \$1.3 billion last year.

GOODYEAR’S VULNERABILITIES



“THE PROBLEM WITH GOODYEAR IS THAT THEY HAVE A VERY INEFFICIENT COST BASE. ITS BALANCE SHEET IS NOT SO GREAT, IT HAS A HIGH LEVEL OF NET DEBT, AND ITS EARNINGS AREN’T ENOUGH TO DELEVERAGE THE COMPANY.”

At the same time, costs of goods sold increased 2.4% to nearly \$12 billion in 2018, up from \$11.7 billion the previous year, while selling, general, and administrative expenses jumped 1.4% to \$2.31 billion in 2018 from \$2.28 billion in 2017.

Shareholders in Goodyear have already expressed discontent, with an 8.6% vote against the remuneration plan at the firm’s annual meeting in April 2018. Specifically, Proxy Insight data show investors expressed “concerns about linkage between pay and performance.”

Because of this, Kurian speculated an activist may push the company to cut costs through a restructuring, urging Goodyear to close inefficient factories or reduce its workforce. Lower costs would enable Goodyear to pay off some of its debt, which is currently \$11.8 billion. According to *Activist Insight Vulnerability*, Goodyear is currently more leveraged than its peers with an average financial leverage ratio of 3.5, compared to 2.

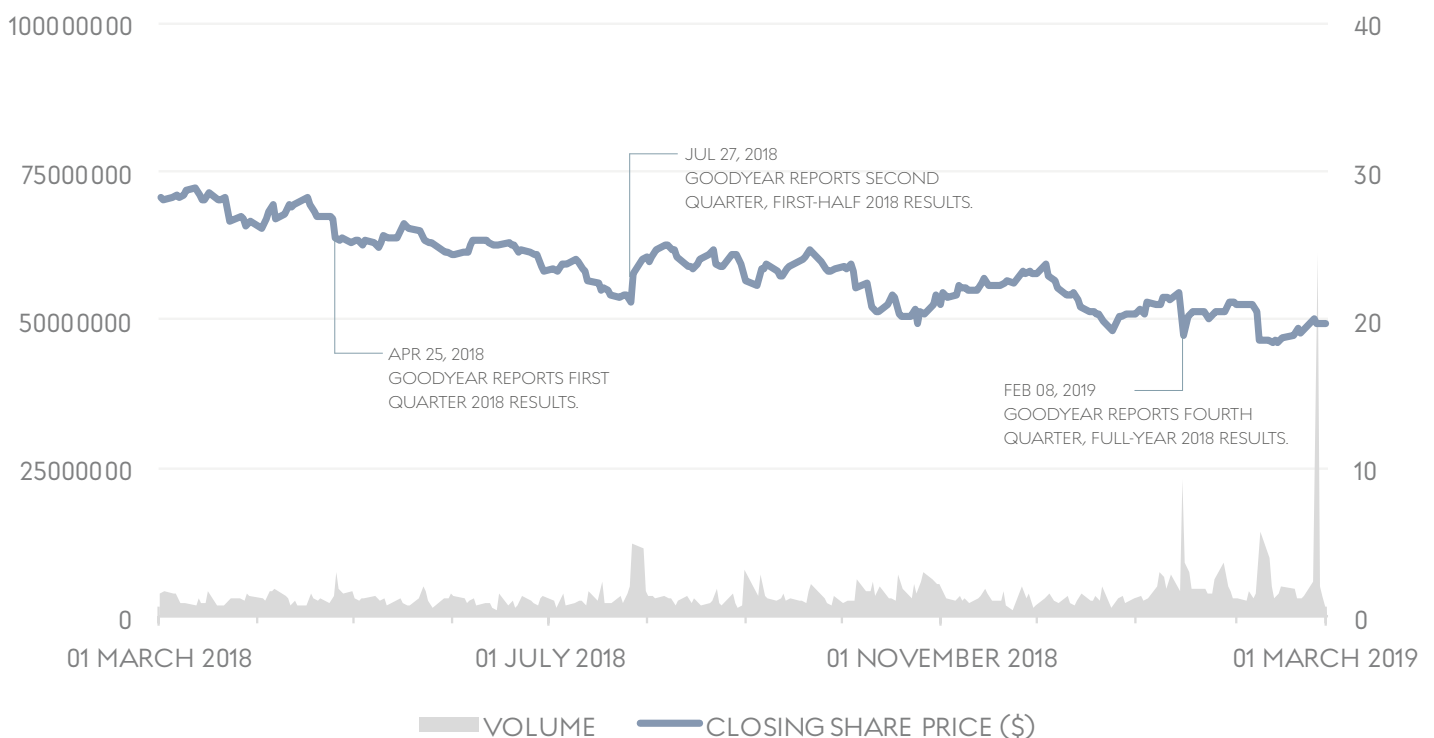
“They need to make drastic changes,” Kurian said. [🔗](#)

ACTIVIST INSIGHT GOVERNANCE

According to *Activist Insight Governance*, Richard Kramer serves as both chief executive and chairman, hindering the board from gaining independence. “I would expect some shareholders to question that in the near term,” Kurian told *Activist Insight Monthly*. “They may question the control or jurisdiction the board has over management.”

An activist may push for board representation, contending a need for fresh skills and perspectives. Goodyear’s board is long-tenured with five directors serving for more than 10 years compared to the average of five years for its peers, according to *Activist Insight Governance* and *Activist Insight Vulnerability*. The nomination deadline already expired on January 9, but an activist can launch a withhold campaign since the company has a majority standard in uncontested elections, according to *Activist Insight Governance*. Otherwise, an activist can wait until the 2020 annual meeting to launch a proxy contest.

GOODYEAR’S 1 YEAR SHARE PRICE PERFORMANCE



UPCOMING EVENTS

ACTIVIST INSIGHT MONTHLY HIGHLIGHTS WHAT TO WATCH OUT FOR DURING MARCH.

DATE	COMPANY	EVENT TYPE
08 MARCH	GROWMAX RESOURCES	AGM
<p>Activists BullRun Capital and Kulwant Malhi seek to replace the board, promising shareholders a dividend should they win the proxy contest.</p>		
08 MARCH	MEDLEY CAPITAL	EGM
<p>Shareholders will vote on Medley Capital's proposed merger with Sierra Income and Medley Management, a transaction FrontFour Capital strongly opposes.</p>		
11 MARCH	FANHUA	EARNINGS RELEASE
<p>This earnings release could see J Capital Research confirmed in its short thesis at China-based, New York-listed Fanhua.</p>		
14-15 MARCH	CORPORATE LAW INSTITUTE	CONFERENCE
<p>Tulane University's annual shindig provides conference goers with an opportunity to discuss corporate and securities law over cocktails and jazz.</p>		
20 MARCH	SKYTOP STRATEGIES: GENDER EQUALITY IN THE C-SUITE & BOARDROOM	CONFERENCE
<p>An occasion for conference goers to learn how gender-diverse companies can create value in the C-suite and boardroom.</p>		
20 MARCH	CONAGRA BRANDS	EARNINGS RELEASE
<p>The second earnings release since Conagra acquired Pinnacle Foods could show how well it has integrated the business.</p>		
26 MARCH	GAMESTOP	EARNINGS RELEASE
<p>An opportunity for GameStop to address Hestia Capital Management's demands, which include returning capital to shareholders, reducing costs, and aligning executive pay to stock performance.</p>		
29 MARCH	TELECOM ITALIA	AGM
<p>Will Vivendi regain control of Telecom Italia's board after losing a proxy fight to Elliott Management in 2018?</p>		
29 MARCH	LUNDIN PETROLEUM AGM	AGM
<p>Will investors share Egbert Wesselink's concerns regarding Lundin's alleged connection to the conflict in Sudan and call for a full board and management refreshment?</p>		

A STABLE ROCK

EACH YEAR, BLACKROCK CEO LARRY FINK OUTLINES THE WAYS HE THINKS COMPANIES CAN “DRIVE SUSTAINABLE, LONG-TERM GROWTH AND PROFITABILITY.” THIS YEAR, FINK WARNS COMPANIES TO BEWARE AS THE “GLOBAL LANDSCAPE [BECOMES] INCREASINGLY FRAGILE,” PROMPTING SHORT-TERM BEHAVIOR FROM CORPORATIONS AND EVEN GOVERNMENTS, WRITES ELEANOR O’DONNELL.

In his 2019 annual letter to corporate CEOs, Fink chose to emphasize the importance of a company’s purpose in maximizing growth. He continued a theme from his 2018 message that companies play a key role in the communities within which they operate, but delved deeper into the ongoing global uncertainty and the need for companies to take the lead on issues such as protecting the environment, retirement, and gender and racial inequality.

Fink urged CEOs to create a company framework, beginning with the company’s purpose as a business. According to the chief executive, “purpose is not the sole pursuit of profits but the animating force for achieving them.” With a clear and decisive purpose, a company can focus on its “drive [for] long-term profitability.” It keeps the company in check and guides the business to “sustain long-term financial returns” for shareholders.

Fink also turned his attention to a new generation of investors: millennials. According to the chief executive, millennials represent 35% of the workforce and are expressing “new expectations of the companies they work for, buy from, and invest in.”

TOP 2018 SHAREHOLDER PROPOSALS* BY SUPPORT

PROPOSAL TYPE	AVERAGE SUPPORT (%)
APPROVE DECLASSIFICATION OF BOARD	87.2%
MAJORITY VOTE FOR ELECTION OF DIRECTORS	77.7%
ADOPT MAJORITY VOTE AS STANDARD	57.6%
PROVIDE PROXY ACCESS RIGHT	46.4%
RIGHT TO ACT BY WRITTEN CONSENT	42.1%

*VOTED ON A MINIMUM OF 5 TIMES IN 2018
SOURCE: PROXY INSIGHT

In part due to falling unemployment rates Fink recognizes that environmentally or socially minded shareholders and employers are becoming more vocal about the behavior

of companies. Citing a recent Deloitte survey, Fink said that 63% of millennials believe the primary purpose of a business should be “improving society” as opposed to “generating profit.” **BlackRock** therefore measures and considers companies’ approaches to environmental, social, and governance (ESG) issues when investing as these topics are becoming central to corporate valuations. Fink believes companies “that fulfill their purpose and responsibilities to stakeholders reap rewards over the long-term” while those that ignore them “stumble and fail.”

“[P]URPOSE IS NOT THE SOLE PURSUIT OF PROFITS BUT THE ANIMATING FORCE FOR ACHIEVING THEM.”

Proxy Insight data show both the rising tide of environmental and social concerns among shareholder proposal filers and BlackRock’s stewardship team. Between 2016 and 2018, the number of proposals related to workplace diversity doubled from six to 12. BlackRock voted for one of those proposals for the first time in 2018, marking a notable shift. Shareholder demands for a report on a company’s social impact have remained steady, and BlackRock also voted for a proposal of this nature for the first time in 2018. Meanwhile, the data show that BlackRock supported 38% of proposals calling for assessments of a two degree increase in global temperatures in 2018, more than triple the 12% it supported in 2017. While there are still some ESG shareholder proposal types that BlackRock has never supported, these are encouraging moves.

“I remain optimistic about the world’s future and the prospects for investors and companies taking a long-term approach,” Fink concluded, offering CEOs encouragement at the end of a sometimes somber lecture. 📌

SHORT NEWS IN BRIEF

A ROUNDUP OF DEVELOPMENTS IN ACTIVIST SHORT SELLING IN FEBRUARY.

Corporate Travel Management threatened legal action against short seller **VGI Partners** regarding a negative report published in October in which the activist accused the Australian firm of poor disclosure and misleading accounting. The company is reportedly demanding that VGI hand over any documents and names of people who assisted in the allegations made against it.

The Securities and Exchange Commission (SEC) contended that **Tesla** CEO Elon Musk violated the terms of an agreement between the market watchdog and himself after he tweeted about Tesla's production. The SEC asked a court to hold Musk in contempt for tweeting without seeking or receiving pre-approval. The move came after Musk and the SEC reached a settlement in October in which Musk agreed to have Tesla monitor his public statements about the company.

Namaste Technologies terminated the employment of CEO Sean Dollinger and commenced a strategic review for value maximization, following an investigation into **Citron Research's** allegations of fraud. The short seller accused Namaste of a related-party sale it claimed was meant to hide U.S. assets from the Justice Department. Citron also accused Dollinger and head of marketing, David Hughes of self-dealing.

Elsewhere, **Citron Research** published a follow-up report about **Inogen**, accusing the manufacturer of portable oxygen concentrators of fraudulently selling its devices to the elderly. The short seller claimed Inogen conspired with its reseller network to dominate Google listings and deceive elders into believing Medicare does not cover Inogen's products, enabling Inogen to make greater profits with customers' cash purchases.

Muddy Waters Research also weighed in on **Inogen**, claiming the firm has created an "egregiously false narrative" about its total addressable market's size and growth.

J Capital Research published another negative report on China-based, New York-listed **Fanhua**, alleging the firm is being engulfed by its involvement in a Chinese corruption case in which a "close associate" from the People's Insurance Company of China's (PICC) property and casualty

insurance (P&C) unit was sentenced to 11 years in jail. The short seller also accused Fanhua of failing to disclose guarantees for trust plans issued to finance its subsidiary, China Finance Holdings, and for other corporate purposes.

Canadian pharmaceutical company **FSD Pharma** fired Rupert Haynes and appointed Raza Bokhari as interim CEO. The firm did not explain the personnel move, which came two weeks after **White Diamond Research** published a negative report on the company, claiming the firm is overvalued due to the "cannabis craze."

Medical cannabis producer **Liberty Health Sciences** addressed a December report issued by **Hindenburg Investment Research**, in which the short seller accused the company of funnelling CA\$5 million from shareholders to the pockets of insiders by acquiring a Canadian entity, 242 Cannabis, that had no assets. Liberty said the actual value of 242 Cannabis exceeded the paid amount, netting a profit for the company. Hindenburg targeted Liberty as part of its campaign against **Aphria**, where Liberty was a subsidiary until September 2018.

Aphria also disputed a **Hindenburg Investment Research** report that, along with a presentation made by **Quintessential Capital Management**, alleged the firm acquired Latam Holdings at highly inflated prices to funnel capital to a group of insiders. A special committee of independent directors concluded the acquisition was "within an acceptable range" when compared to similar acquisitions by peers. A month prior, Quintessential announced that it had quit its short position in Aphria and moved on to new projects.

Odey Asset Management's Crispin Odey announced plans to take Germany's market watchdog BaFin to court after it prohibited investors from taking new short positions in **Wirecard** or increasing existing positions through April 18. Shares in the firm experienced volatility following reports of fraud at Wirecard's Singaporean unit by the Financial Times. 📄

PATENTLY OBVIOUS

KERRISDALE CAPITAL MANAGEMENT HAS BEEN CLOSELY WATCHING CHIPMAKER QUALCOMM OVER THE PAST FEW YEARS AND HAS NOW DECIDED TO SHORT THE STOCK AS THE COMPANY ANXIOUSLY AWAITS A COURT RULING THAT COULD SIGNIFICANTLY ALTER ITS BUSINESS MODEL, WRITES IURI STRUTA.

QUALCOMM



U.S. chipmaker Qualcomm has had a hectic few years, marked by court battles with its customers, a fractious relationship with its home government, and more recently a short report by **Kerrisdale Capital Management**. After U.S. President Donald Trump blocked a hostile bid from its rival, Broadcom last year on the grounds that America would lose its competitive edge in 5G, the Federal Trade Commission (FTC) sued the company, seeking to end its current licensing practices on antitrust grounds.

EARNINGS RESET

“Telecom has been a big focus for us for the past three or four years. In our analysis of Qualcomm, we’ve been able to leverage our understanding of 5G,” Kerrisdale’s chief investment officer, Sahn Adrangi, said in an interview with *Activist Insight Monthly*. The activist previously targeted satellite communication companies **ViaSat** and **Globalstar**, spectrum owner **Straight Path Communications**, and satellite television provider **Dish Network**, while broadband provider **Intelsat** is its largest long position.

“QUALCOMM WILL LOSE THE LAWSUIT AND THE END OF ITS INCUMBENT BUSINESS MODEL ‘WILL RESET ITS LONG-TERM EARNINGS POWER FAR LOWER.’”

The investor’s track record has been mixed. It had big misses at Straight Path and Dish, which *Activist Insight Shorts* shows as returning negative 348% and 43% respectively during Kerrisdale’s campaigns. The short

campaign at Globalstar returned 63%, while ViaSat moved sideways. Intelsat, where Kerrisdale’s long thesis clashed with that of fellow short seller **221B Capital**, appreciated five-fold after it became clear the company’s spectrum could be repurposed for 5G and sold at a juicy price.

At Qualcomm, Kerrisdale believes the company will lose the FTC lawsuit and the event “will reset its long-term earnings power far lower.” Under the new settings, the company will get just a fraction of royalties for each smartphone shipped because they will be calculated from the price of a modem, not from an entire device.

Yet Kerrisdale’s thesis is not a bet on the result of the lawsuit, Adrangi insisted. Kerrisdale will remain short throughout the inevitable appeals – and likely beyond. Whatever the decision, Adrangi feels the lawsuit is “the final nail in the coffin” of Qualcomm’s business model, “regardless of what happens in the appeal process.”

NO LICENSE, NO CHIPS

The FTC sued Qualcomm in January 2017 for alleged anticompetitive behavior in employing a practice called “no license, no chips.” The FTC argues that Qualcomm has been charging smartphone makers unfair licensing fees for its standard-essential patents, which power the mobile internet. Because Qualcomm agreed to accept its patent as an industry standard for mobile communications, the FTC contends it must license them on fair terms to all companies, including its competitors in the chip market such as Intel and Mediatek.

This effectively means Qualcomm’s royalties will be gauged from the price of a wireless modem, which costs considerably less than an entire smartphone. The San

“TELECOM HAS BEEN A BIG FOCUS FOR US FOR THE PAST THREE OR FOUR YEARS. IN OUR ANALYSIS OF QUALCOMM, WE’VE BEEN ABLE TO LEVERAGE OUR UNDERSTANDING OF 5G.”

Diego, California-based company has been charging smartphone makers directly for its patents and receives up to \$20 in fees alone from each smartphone sold worldwide, providing a very lucrative business that has been generating billions of dollars annually with minimal costs.

The FTC wants to put a stop to this practice, arguing it stifles competition. Qualcomm says competition has not suffered, pointing out that Apple, for instance, easily moved away from its chips to Intel’s.

‘CLOWN SHOW’

The FTC suit has raised some concerns. It was filed around the last days of the Obama administration and shortly before a new FTC chairman was sworn in. Commissioner Maureen Ohlhausen dissented on the FTC decision to pursue the suit, saying in a rare statement that the allegations fail to show that Qualcomm charged unfair prices. “That pleading failure is no accident; it speaks to the dearth of evidence in this case,” Ohlhausen said.


Patrick Moorhead, an analyst at Moor Insights & Strategy and a close industry watcher, called the FTC case a “clown show” in a recent Forbes article. In another twist, the FTC has been criticized for bringing Chinese competitors such as Huawei as its witnesses, as they may have a vested interest in damaging Qualcomm’s business.

Yet the broad sentiment is that Qualcomm will lose. Judge Lucy Koh, who is presiding, has already rejected Qualcomm’s request to dismiss the case. According to Kerrisdale, Koh ruled a few years back in a different case that royalties for a cellular standard-essential patent should be charged on the smallest saleable unit, which in this instance is a wireless modem. Kerrisdale expects the court decision will be released in March.

NO MORE APPLE

Qualcomm’s licensing business already suffered following Apple’s decision to decline to pay royalties amid an ongoing court dispute with the smartphone maker. Licensing income has dropped from \$7.6 billion in fiscal 2016 to \$5.1 billion in 2018, and Kerrisdale says it could drop by another 50%.

The patent unit brings in about a quarter of revenues but is responsible for the lion’s share of profits. Kerrisdale admits the company has a lead over rivals in 5G, although it notes its area of expertise is in millimeter-wave spectrum, which is unlikely to be used by mobile operators.

Although its stock price has fallen 21% over the past 12 months, Kerrisdale says the company is still overvalued relative to competitors. Indeed, according to *Activist Insight Vulnerability*, Qualcomm stock trades at a price-to-EBITDA ratio of 22.8 versus 13.7 for its median peer. 

QUALCOMM’S 1 YEAR SHARE PRICE PERFORMANCE








NEW SHORT INVESTMENTS


A SELECTION OF THE LATEST ACTIVIST SHORT INVESTMENTS FROM AROUND THE WORLD IN FEBRUARY.

ACTIVIST	COMPANY	HQ	DATE ANNOUNCED	PRIMARY ALLEGATION
HINDENBURG INVESTMENT RESEARCH	SKY SOLAR HOLDINGS		FEB 25, 2019	OTHER OVERVALUATION
Shares in Sky Solar spiked on rumors of an acquisition that were not credible, said Hindenburg. Instead, it stated that creditors are coming for the company's assets.				
WHITE DIAMOND RESEARCH	APYX MEDICAL		FEB 21, 2019	PRODUCT INEFFECTIVE
Apyx shares cratered when White Diamond expressed skepticism about its J-Plasma product and noted results of a clinical study had been kept private.				
EMPTY CITY RESEARCH	CHINA NEW HIGHER EDUCATION GROUP		FEB 21, 2019	ACCOUNTING FRAUD
The short seller said the company had manipulated profits through a sham contract but the company said the research was unprofessional.				
THE STREET SWEEPER	3PEA INTERNATIONAL		FEB 14, 2019	BUBBLE
The Street Sweeper said it saw little growth potential for payments company 3Pea, just a bubbling stock price.				
THE FRIENDLY BEAR	EL POLLO LOCO HOLDINGS		FEB 13, 2019	COMPETITIVE PRESSURES
The short seller predicted El Pollo Loco is going to have to renegotiate every single franchise agreement due to a lawsuit.				
SPRUCE POINT CAPITAL MANAGEMENT	CARVANA		FEB 12, 2019	BUBBLE
Spruce Point contended that Carvana is masquerading as an asset-light tech company when it is really just a used car dealer.				
AURELIUS VALUE	VANDA PHARMACEUTICALS		FEB 11, 2019	ACCOUNTING FRAUD
Aurelius said anonymous accusations of illegal sales practices against Vanda have appeared on an industry message board called CafePharma.				
MUDDY WATERS RESEARCH	INOGEN		FEB 08, 2019	MISLEADING ACCOUNTING
Carson Block's firm saw Inogen's sales peaking this year, arguing management had used misrepresentations and poorly-sourced estimates.				
GLASSHOUSE RESEARCH	NATUS MEDICAL		FEB 06, 2019	ACCOUNTING FRAUD
GlassHouse said Natus would have to write-off inventory. Natus added accounting experience to its board shortly after.				
WHITE DIAMOND RESEARCH	NEW AGE BEVERAGES		FEB 06, 2019	BUBBLE
The activist said New Age's CBD-infused drinks would be bad for margins and were overhyped.				
BLUE ORCA CAPITAL	CORCEPT THERAPEUTICS		FEB 05, 2019	MISLEADING ACCOUNTING
Soren Aandahl's fund said Corcept had an undisclosed related party it could use to boost income or hide losses.				

NEW INVESTMENTS

A SELECTION OF THE LATEST ACTIVIST INVESTMENTS FROM AROUND THE WORLD IN FEBRUARY.

ACTIVIST	COMPANY	HQ	DATE NOTIFIED	STAKE
STARBOARD VALUE	GCP APPLIED TECHNOLOGIES		FEB 27, 2019	4.6%
GCP told its shareholders that Starboard had nominated five directors, becoming the second company to out Starboard in a month.				
VIEX CAPITAL	ARLO TECHNOLOGIES		FEB 26, 2019	8.5%
Viex threatened a proxy contest at Arlo if it fails to improve gross margins, reduce its cash burn, and maximize shareholder value.				
BARRICK GOLD	NEWMONT MINING		FEB 24, 2019	UNKNOWN
Barrick made an unsolicited takeover bid and advanced shareholder proposals seeking easier meeting requisition rights.				
KIMMERIDGE ENERGY MANAGEMENT	PDC ENERGY		FEB 22, 2019	5.1%
The activist called for cost reductions, more capital to be returned to shareholders, and a strategic review.				
IAN HANNAM	OPHIR ENERGY		FEB 21, 2019	UNKNOWN
The investor urged the company to reconsider its recommendation for the proposed merger with Medco Energi Internasional.				
ITHMAR CAPITAL PARTNERS	GULF MARINE SERVICES		FEB 18, 2019	UNKNOWN
Ithmar requisitioned a meeting to appoint its executive chairman, Faisal Bin Juma Belhoul, to the board. Seafox International is also seeking board seats at the London-listed firm.				
CONCERNED SHAREHOLDERS	CENTENNIAL MINING		FEB 14, 2019	5.0%
Australian gold miner Centennial said it was considering the validity of a requisition to remove Executive Chairman Dale Rodgers from the board.				
ELLIOTT MANAGEMENT	INTERTRUST		FEB 13, 2019	6.1%
Elliott built a stake in the Netherlands-based tax and outsourcing company as Blackstone exited its stock.				
PHRONIMOS CAPITAL	POLO RESOURCES		FEB 13, 2019	14.0%
Investment company Polo Resources is resisting Phronimos' calls for a tender offer.				
JASON ADELMAN	GLOWPOINT		FEB 13, 2019	9.4%
Adelman plans to hold discussions with Glowpoint management but has not yet commented on a December announcement that Glowpoint will merge with SharedLabs.				
HESTIA CAPITAL MANAGEMENT	GAMESTOP		FEB 12, 2019	UNKNOWN
Following GameStop's abortive strategic review, Hestia called for a new CEO to be identified, capital to be returned to shareholders, and management to be properly incentivized to pursue shareholder value.				

ACTIVIST	COMPANY	HQ	DATE NOTIFIED	STAKE
BLACKWELLS CAPITAL	COLONY CAPITAL		FEB 11, 2019	UNKNOWN
In a settlement following private talks, Colony Capital announced it would appoint three new directors and conduct a strategic review.				
LAWRENCE SEIDMAN	EMPIRE BANCORP		FEB 08, 2019	4.4%
Seidman will join the board in 2020, an announcement made after Blue Lion Capital called for a sale.				
SABA CAPITAL MANAGEMENT	INVESCO DYNAMIC CREDIT OPPORTUNITIES		FEB 08, 2019	8.4%
Saba submitted shareholder proposals calling for the declassification of three fund boards in February.				
ANDREW SHIRLEY	PLX PHARMA		FEB 08, 2019	3.0%
Objecting to a dilutive preferred stock conversion, Shirley looked for a properly marketed capital raise.				
L.I.A. PURE CAPITAL	BOS BETTER ONLINE SOLUTIONS		FEB 07, 2019	5.5%
Kfir Silberman's firm wants to remove the Israeli company's board and nominated five directors.				
CEVIAN CAPITAL	CRH		FEB 06, 2019	UNKNOWN
Cevian's adventures in the building industry continue with Ireland-based CRH.				
CORRE PARTNERS MANAGEMENT	HORIZON GLOBAL		FEB 06, 2019	10.0%
Whether Corre protects management or adds to pressure for a sale remains to be seen.				
CONCERNED SHAREHOLDERS	GLOBAL GRAPHICS		FEB 06, 2019	UNKNOWN
The U.K.-based printer said it had received an invalid special meeting requisition.				
ALTIUS MINERALS	LABRADOR IRON ORE ROYALTY		FEB 05, 2019	6.2%
Altius wants Canada-based Labrador to pay a special dividend and separate its royalty and equity assets.				
STARBOARD VALUE	PAPA JOHN'S INTERNATIONAL		FEB 04, 2019	10.0%
Papa John's invited Starboard to invest in the company using a custom mechanism that gives the activist board seats, the chairmanship of the board, and regular dividends. A counterproposal from ousted chairman John Schnatter was rejected.				
VOCE CAPITAL MANAGEMENT	ARGO GROUP INTERNATIONAL		FEB 04, 2019	5.6%
Voce has yet to specify what opportunities it sees for value creation at the insurer.				
CONCERNED SHAREHOLDERS	OASMIA PHARMACEUTICAL		FEB 04, 2019	UNKNOWN
The new special meeting request for Sweden-based Oasmia comes after a previous requisition was canceled in January.				
STARBOARD VALUE	BRISTOL-MYERS SQUIBB		FEB 02, 2019	UNKNOWN
Starboard has nominated five directors to Bristol-Myers' board but they will not be able to be elected until after shareholders vote on the acquisition of Celgene in April.				
BVF PARTNERS	VICAL		FEB 01, 2019	10.0%
Biotechnology Value Fund has already held talks with Vical's management about ways to turn the struggling business around.				



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NEWS IN BRIEF



ARGONIC

A ROUNDUP OF DEVELOPMENTS IN ACTIVIST INVESTING IN FEBRUARY.

NORTH AMERICA

Papa John's International struck a deal for a strategic investment and board changes with activist investor **Starboard Value** after the pizza chain rejected a deal from its former CEO and chairman, **John Schnatter**, at the end of a five-month strategic review. Starboard CEO Jeff Smith was appointed chairman and former **Pinnacle Foods** CEO Anthony Sanfilippo a director.

The ongoing saga at **Sears** reached a resolution in February, with a bankruptcy court approving Chairman Eddie Lampert's \$5.2 billion bid to purchase the company, saving 45,000 jobs in 400 stores. Lampert denied any accusations of self-interest in the deal, stating that he acted for the benefit of the company, employees, and shareholders.

Sempra Energy reached an agreement to sell its wind business to American Electric Power for \$551 million in cash, completing the divestment of subsidiary Sempra Renewables – a vision laid out by activist investors **Elliott Management** and **Bluescape Resources**.

Weeks after it rejected a \$10 billion takeover offer from private equity firm Apollo Global Management, **Arconic** replaced CEO Chip Blankenship with Chairman John Plant and began pursuing a breakup of the firm into Engineered Products & Forgings and Global Rolled Products, with a spinoff of one of the businesses.

Detour Gold and **Paulson & Co** reached an agreement to dismiss an undisclosed lawsuit filed in July by the Canadian company. The activist investor gained five seats on the board of Detour in December after a proxy contest, removing the firm's CEO and chairman in the process.

Derek and **Toby Rice** sent a letter to the board of exploration company **EQT**, urging it to convene its annual meeting in April to allow shareholders to express their wishes for the company as soon as possible. The brothers said that if the company refuses to engage with them, they plan to advance a slate for election to the board.

BlueMountain Capital Management was unmoved by **PG&E's** board refreshment pledge and continued to

pursue a proxy contest. The activist advanced a slate of 13 nominees to put forward for election, with nomination agreements already executed by 13 candidates.

Odey Asset Management announced its support of **Ensco's** sweetened takeover offer for **Rowan Companies**. Fellow activist investor **Canyon Capital Advisors**, which opposed the initial deal, has not commented since both Institutional Shareholder Services (ISS) and Glass Lewis recommended shareholders vote in favor of the revised deal.

FrontFour Capital Group expressed its support for **NexPoint Advisors'** merger proposal for **Medley Capital**, a countermove against the proposed three-way combination of Medley Capital, Sierra Income, and Medley Management. Glass Lewis and ISS recommended shareholders vote against the three-way combination but Medley continued to defend the merger.

Del Frisco Restaurant Group entered into a cooperation agreement with **Engaged Capital**, appointing Helena Capital CEO Joe Reece as a director and expanding its board to seven members. Reece will serve as the chairman of the transaction committee that is overseeing Del Frisco's strategic review.

Drew Malcolm announced his intention to requisition a meeting at **Ascent Industries** on behalf of a group of concerned shareholders, aiming to remove the three members of the board and appoint seven new independent directors.

SeaChange International extended its nomination deadline after **Neuberger Berman** disclosed that it wanted to engage in discussions regarding board changes and **Karen Singer** called for improvements in corporate governance and a sale.

EUROPE

Sherborne Investors confirmed it will nominate its CEO, Ed Bramson, to the board of **Barclays** at the bank's annual meeting in May. Soon after, one of Barclays' important allies, Tiger Global Management, dumped its entire stake in the bank.

French spirits group **Pernod Ricard** issued its half-year earnings along with a new three-year plan to improve returns for shareholders after **Elliott Management** suggested selling underperforming assets or merging with another large spirits company. Elliott said Pernod's results were good but noted that its strategy could be "more ambitious."

Elliott Management also opposed a takeover bid for Portugal's electricity operator **Energias de Portugal (EDP)** from large shareholder and state-backed Chinese group China Three Gorges (CTG) and proposed a standalone alternative with several tweaks to strategy and portfolio.

Telecom Italia (TIM) auditors rejected **Vivendi's** request for an early shareholder meeting, saying its agenda is similar to the already-scheduled March 29 meeting. Meanwhile, Italian state lender Cassa Depositi e Prestiti (CDP) received the green light to increase its stake in TIM to 10%, which will likely diminish Vivendi's chances of regaining control of the board from **Elliott Management**, as CDP previously supported the U.S. activist.

Budget airline **Flybe** agreed to a general shareholder meeting for a vote on the potential replacement of Chairman Simon Laffin, after **Hosking Partners** made a requisition to

replace him with Eric Kohn, who was invited for an interview. Meanwhile, investors were warned that the company will liquidate if they do not approve a sale to Connect Airways.

Shareholders of British real estate investment trust **Shaftesbury** voted for the re-election of all proposed directors and their remuneration, despite **Samuel Tak Lee's** attempt to overhaul the board. The meeting also granted directors the power to create new shares but Lee, with his 26% stake, blocked the two resolutions that would have enabled directors to allot shares in certain circumstances on a non-preemptive basis, due to a supermajority requirement.

Cat Rock Capital Management's criticized the appointment of Peter Duffy as **Just Eat's** interim CEO, noting his lack of online food delivery experience. The activist also claimed the executive core of the company has been decimated by the loss of multiple managers. Cat Rock called on the food delivery firm to engage in merger discussions with industry peers.

Premier Foods abandoned its plans to sell its Ambrosia brand, citing the current business climate as a major motivation. Weeks later, the company agreed to a strategic review and handed board seats to activists **Paulson & Co** and **Oasis Management**.

A U.K. court determined that the dismissal of **Andrew Tinkler** as the CEO and director of **Stobart** was a "lawful and valid" act after the ex-executive criticized the board's management and group's business, agitated for the removal of Chairman Iain Ferguson, and shared confidential information with dissident board nominee Philip Day.



FLYBE SHAREHOLDERS WILL VOTE ON THE POTENTIAL REPLACEMENT OF ITS CHAIRMAN.

REST OF THE WORLD

South African leisure company **Grand Parade Investments** announced that it is closing 16 Dunkin' Donuts and Baskin-Robbins outlets due to poor performance, following pressure from activists, including **Denker Capital** and **Excelsia Capital**, who pushed the company to exit the brands.

Pura Vida Energy appealed to the Australian Takeovers Panel regarding **Factor Therapeutics'** issuance of shares at a 50% discount to the last traded share price. Despite Pura arguing the board had not previously disclosed a need to raise funds, the panel declined to conduct proceedings on the application.

Oasmia Pharmaceuticals scheduled its shareholder meeting for March 19 after 17.4% stakeholder **Per Arwidsson** requisitioned a meeting to replace three directors with his own nominees. At the March meeting, shareholders will vote on the composition and structure of the board as well as the remuneration of the newly elected members.

Shareholders of **Metallica Minerals** voted to remove three incumbent directors and replace them with members nominated by a group of unnamed shareholders at its



FLINDERS MINES' DELISTING ATTEMPT WAS DEEMED UNACCEPTABLE.

general meeting. Among the dissident-placed directors is newly-appointed Chairman Theo Psaros.

Activist investor **Mustafa Hasan** failed to replace three directors at Australia-based **Pacific Dairies** after shareholders re-elected all incumbent directors to the board.

An Australian panel declared the circumstances under which **Flinders Mines** intended to delist unacceptable, a month after Chinese-backed entity **OCJ Investment** and **Brendon Dunstan** filed an application to block the transaction.

Empire Energy shareholders dealt a blow to dissident investor **Global Energy & Resources Development** at a shareholder meeting, rejecting all four of its nominees while also removing Lin Tang, the board director already serving on behalf of Global Energy.

LIA Pure Capital requisitioned a special meeting at Israeli **BOS Better Online Solutions** with the intention of replacing the company's board with its five-person slate, citing stagnation of the incumbent board. LIA also entered a voting agreement with Next-Line and iDnext, granting the activist 5.5% voting power.

Ithmar Capital Partners requisitioned a meeting at **Gulf Marine Services** for the purpose of appointing Faisal Bin Juma Belhoul to the board. Fellow investor and 13.7% shareholder **Seafox International** also requisitioned a meeting to replace Chairman Simon Heale with Andrew Knight. Heale stepped down less than two weeks later.

Australian online recruitment company **Nvoi** co-founders **Lindsay Rowlands** and his son Mark returned to the company to challenge its board, requisitioning a meeting with the aim of replacing all four of the firm's directors. The pair also proposed the issuance of options on behalf of the potential new directors.

Singaporean financial services company **Pine Capital's** collective 51.9% **stakeholders**, Jessie Sun May Gze, Pine Partners, and JMO, requisitioned a general meeting, aiming to replace the firm's CEO along with two other directors of the board.

Australian miner **Crusader Resources** strongly recommended against the removal of several incumbent directors. A **Parkwise Corporation**-led group of investors advanced the resolutions, aiming to replace the directors with its own nominees.

South Korea's **Hanjin Group** released a presentation mapping out a five-year plan for its aviation, logistics, and leisure businesses, amid increased pressure from **Korea Corporate Governance Improvement** to add more managers not associated with the controlling Cho family. 🇰🇷



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VIEW THE MOST-READ NEWS STORIES FROM ACTIVIST INSIGHT ONLINE OVER THE LAST MONTH.



**ALLERGAN PROMISE
FOR INDEPENDENT
CHAIRMAN FAILS TO
PLEASE ACTIVIST**

WEDNESDAY, FEBRUARY 20, 2019



LIVE: 13F UPDATES

FRIDAY, FEBRUARY 15, 2019



**STARBOARD VALUE
TAKES STAKE IN
BRISTOL-MYERS**

MONDAY, FEBRUARY 4, 2019



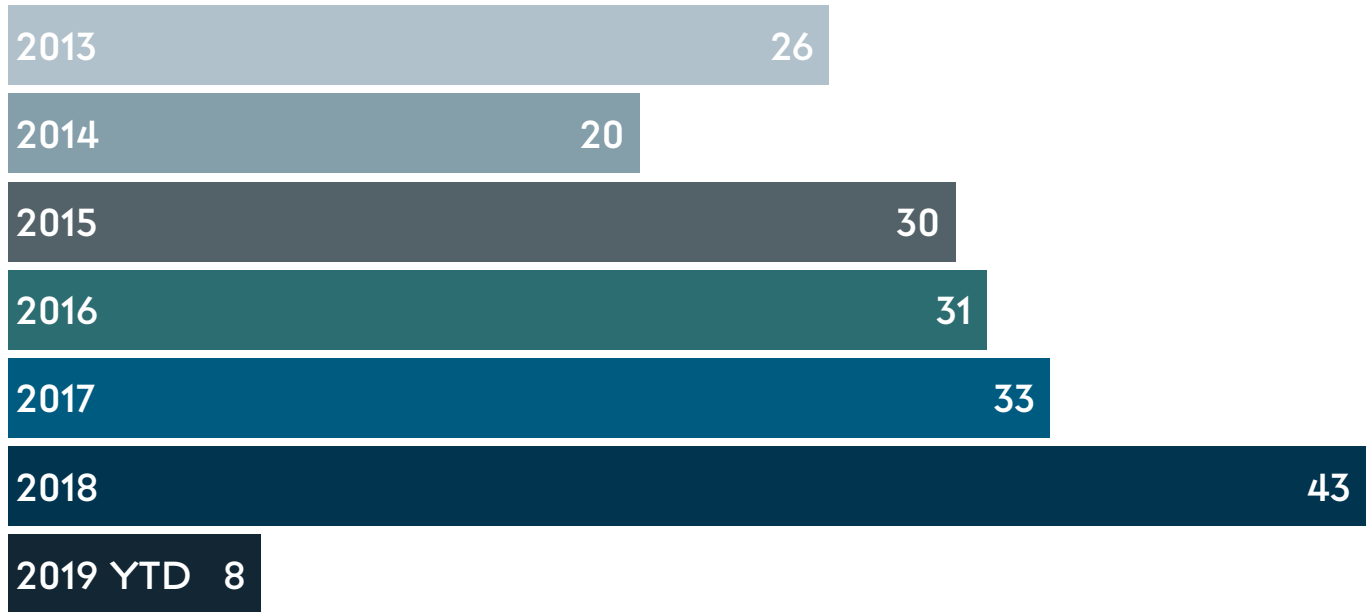
**ACTIVIST INVESTOR
ELLIOTT SHIFTS
ATTENTION TO
TAKEOVERS**

THURSDAY, JANUARY 31, 2019

ACTIVISM IN NUMBERS

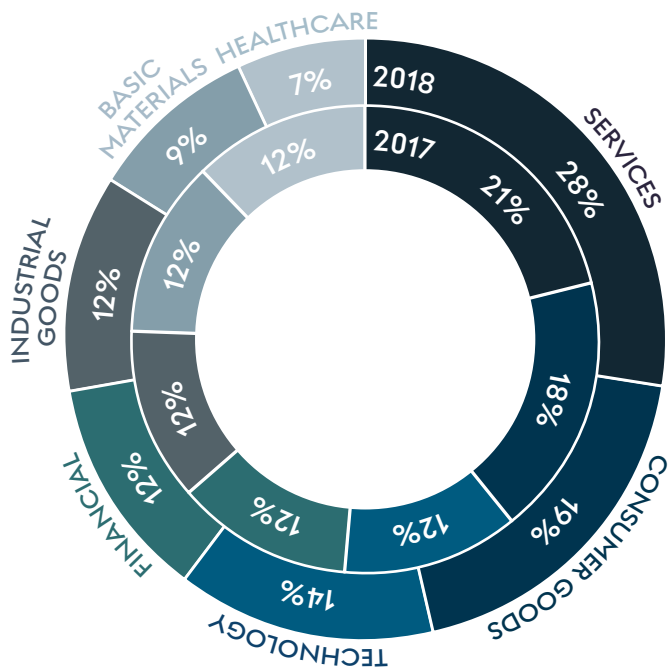
FOREIGN ACTIVISM IN EUROPE

EUROPE-BASED COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS BY NON-EUROPE-BASED ACTIVISTS BY YEAR



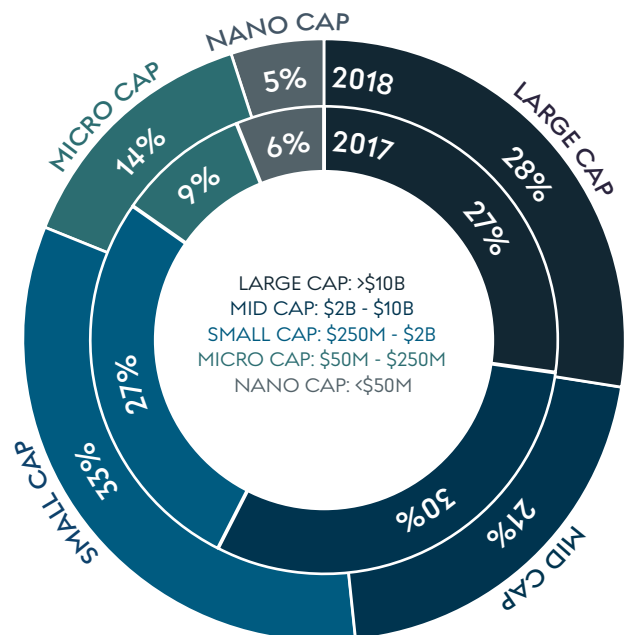
SOURCE: ACTIVIST INSIGHT ONLINE

SECTOR BREAKDOWN OF EUROPE-BASED COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS BY NON-EUROPE-BASED ACTIVISTS



SOURCE: ACTIVIST INSIGHT ONLINE

MARKET CAP BREAKDOWN OF EUROPE-BASED COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS BY NON-EUROPE-BASED ACTIVISTS



SOURCE: ACTIVIST INSIGHT ONLINE

NB. 1. ALL PERCENTAGES ARE GIVEN TO THE NEAREST WHOLE FIGURE, AND MAY CAUSE ROUNDING ERRORS.
 NB. 2. ALL DATA AS OF FEBRUARY 28, 2019.

MONTHLY SUMMARY

ACTIVIST TARGETS BY GEOGRAPHY

COMPANY HQ LOCATION	FEB 2019	2019 YTD	2018 YTD	YOY % CHANGE
U.S.	41	73	98	↓ 25.5%
CANADA	3	7	13	↓ 46.2%
U.K.	7	11	9	↑ 22.2%
AUSTRALIA	6	12	15	↓ 20.0%
EUROPE (EXCLUDING U.K.)	8	16	11	↑ 45.5%
ASIA	9	16	25	↓ 36.0%
OTHER	2	3	7	↓ -57.1%
TOTAL	76	138	178	↓ 22.5%

NUMBER OF COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS BY COMPANY HQ LOCATION.

ACTIVIST TARGETS BY SECTOR

SECTOR	FEB 2019	2019 YTD	2018 YTD	YOY pp CHANGE
BASIC MATERIALS	23.7%	25.4%	18.0%	↑ 7.4pp
CONGLOMERATES	0.0%	0.0%	0.0%	↔ 0.0pp
CONSUMER GOODS	5.3%	6.5%	8.4%	↓ 1.9pp
FINANCIAL	27.6%	23.9%	16.3%	↑ 7.6pp
HEALTHCARE	10.5%	6.5%	7.9%	↓ 1.3pp
INDUSTRIAL GOODS	3.9%	5.8%	6.7%	↓ 0.9pp
SERVICES	15.8%	15.9%	25.3%	↓ 9.3pp
TECHNOLOGY	11.8%	14.5%	16.3%	↓ 1.8pp
UTILITIES	1.3%	1.4%	1.1%	↑ 0.3pp

PROPORTION OF COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS BY SECTOR.

ACTIVIST TARGETS BY MARKET CAPITALIZATION

MARKET CAPITALIZATION	FEB 2019	2019 YTD	2018 YTD	YOY pp CHANGE
NANO CAP (< \$50M)	21.3%	24.1%	26.6%	↓ 2.5pp
MICRO CAP (\$50M - \$250M)	13.3%	18.2%	19.2%	↓ 1.0pp
SMALL CAP (\$250M - \$2B)	26.7%	23.4%	24.9%	↓ 1.5pp
MID CAP (\$2B - \$10B)	20.0%	15.3%	16.4%	↓ 1.1pp
LARGE CAP (> \$10B)	18.7%	19.0%	13.0%	↑ 6.0pp

PROPORTION OF COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS BY MARKET CAPITALIZATION.

ACTIVIST DEMANDS BY TYPE

DEMAND TYPE	FEB 2019	2019 YTD	2018 YTD	YOY pp CHANGE
BOARD-RELATED	49.2%	51.0%	48.2%	↑ 2.8pp
BALANCE SHEET	13.1%	14.8%	10.6%	↑ 4.2pp
BUSINESS STRATEGY	9.2%	6.6%	8.4%	↓ 1.8pp
M&A	16.2%	14.8%	15.4%	↓ 0.6pp
REMUNERATION	5.4%	3.7%	2.3%	↑ 1.5pp
OTHER GOVERNANCE	6.9%	8.6%	13.8%	↓ 5.2pp
OTHER	0.0%	0.4%	1.3%	↓ 0.9pp

PROPORTION OF PUBLIC ACTIVIST DEMANDS BY DEMAND TYPE.

SUCCESS RATES OF RESOLVED DEMANDS

OUTCOME	FEB 2019	2019 YTD	2018 YTD	YOY pp CHANGE
ACTIVIST AT LEAST PARTIALLY SUCCESSFUL	57.9%	50.7%	49.5%	↑ 1.3pp
ACTIVIST UNSUCCESSFUL	39.5%	45.5%	33.7%	↑ 11.8pp
WITHDRAWN DEMANDS	2.6%	3.7%	16.8%	↓ 13.1pp

OUTCOMES OF RESOLVED ACTIVIST DEMANDS.

NUMBER OF ACTIVE ACTIVISTS

	FEB 2019	2019 YTD	2018 YTD	YOY % CHANGE
ACTIVE ACTIVISTS	70	134	177	↓ 24.3%

NUMBER OF INVESTORS MAKING A PUBLIC DEMAND OF A COMPANY.

NEW: ACTIVIST BOARD SEATS GAINED BY GEOGRAPHY

COMPANY HQ LOCATION	FEB 2019	2019 YTD	2018 YTD	YOY % CHANGE
U.S.	21	29	38	↓ 23.7%
CANADA	1	1	5	↓ 80.0%
U.K.	-	2	2	↔ 0.0%
AUSTRALIA	4	4	9	↓ -55.6%
EUROPE (EXCLUDING U.K.)	-	-	2	↓ -100%
ASIA	4	11	7	↑ 57.1%
OTHER	-	-	1	↓ -100%
TOTAL	30	47	64	↓ 26.6%

NUMBER OF BOARD SEATS GAINED BY ACTIVISTS BY COMPANY HQ LOCATION.

N.B. 1. ALL DATA EXCLUDE ACTIVIST SHORT POSITIONS.

N.B. 2. ALL PERCENTAGES ARE GIVEN TO ONE DECIMAL PLACE, AND MAY CAUSE ROUNDING ERRORS.

N.B. 3. YTD FIGURES ARE AS OF THE END OF FEBRUARY OF THE GIVEN YEAR, UNLESS OTHERWISE SPECIFIED.

N.B. 4. MARKET CAPITALIZATION FIGURES ARE AS OF FEBRUARY 28, 2019.

SOURCE: ACTIVIST INSIGHT ONLINE UNLESS OTHERWISE SPECIFIED

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