

Barbarians inside the gate

Activists are posing bolder, smarter challenges, says Brunswick's RADINA RUSSELL

Activist investors are driving fundamental change in boardrooms across the US, and that pressure is increasing dramatically. The number of activists has more than doubled since 2010, with upstarts building on the success of the pioneers. The number of companies targeted increased 18 percent between 2013 and 2014.

As activism has grown, campaigns have become both more sophisticated and more audacious. Where activists once sought a simple return of more cash to shareholders, they are increasingly calling for new board members as a way to drive operational and structural change. With greater assets under management, they can take on larger targets. In 2014, there were 21 campaigns

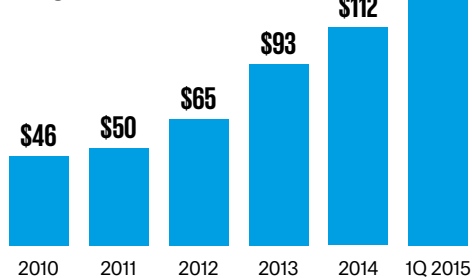
against companies with a market capitalization above \$10 billion; in the first half of 2015 alone, there were 18.

Along with the shift in motivations and approaches, the success rate of activist campaigns has increased. In 2014, activists won, partially won or reached a settlement in 73 percent of the campaigns they launched – a staggering increase over the 53 percent “success” rate in 2010.

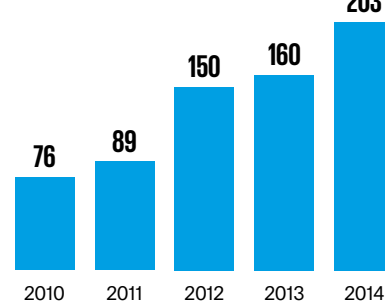
Given the changes, companies would be smart to be equally savvy and prepared for the challenges that could come.

RADINA RUSSELL, a Brunswick Director, leads the activist preparedness practice in the New York office.

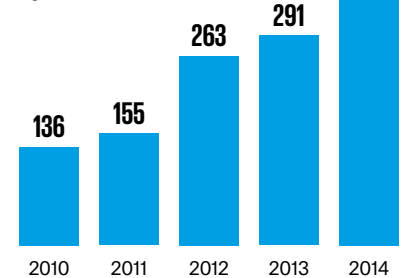
Total assets under management of activist hedge funds (\$bn)



Number of activists in the public arena



Number of companies publicly challenged by activists



Source: Hedge Fund Research / Schulte Roth & Zabel / The Activist Investing Annual Review 2015 / Activist Insight / Valence Group



THE ORIGINALS

- Pioneers
- Run aggressive, public campaigns

including

- Icahn Enterprises** – Carl Icahn
- Mesa Petroleum** – T. Boone Pickens
- Triun Partners** – Nelson Peltz



NEW BREED

- Follow the Originals' style
- Seek big impact

- Starboard Value** – Jeffrey C. Smith
- Greenlight Capital** – David Einhorn
- Jana Partners** – Barry S. Rosenstein
- Pershing Square** – Bill Ackman
- Elliott Management** – Paul Elliott Singer



SONS OF ACTIVISTS

- Mentored by well-established activists, now on their own

- Corvex Management** – Keith Meister
- Marcato Capital Management** – Richard T. McGuire
- Sachem Head Capital Management** – Scott Ferguson



COLLABORATIVE / CONSTRUCTIVIST

- Work with management behind the scenes
- Rarely use public pressure

- Blue Harbour Group** – Clifton S. Robbins
- Glenview Capital Management** – Larry Robbins
- ValueAct Capital Management** – Jeffrey W. Ubben



SPECIAL INTEREST / INSTITUTIONAL

- Seek environmental, social and corporate governance reform
- Partner with activists for change

- California Public Employees and State Teachers Retirement Systems (CalPERS and CalSTRS)**
- Change to Win (CtW) Investment Group**