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SOCIAL MEDIA IN ACTIVISM

TCI AT JAPAN TOBACCO

KERRISDALE CAPITAL

TULCHAN

ACTIVISM MONTHLY

Premium

Activist Insight

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Editor's letter

Josh Black, Activist Insight

It may be a touch ironic that the print magazine you have in your hands is focused this month on how activists are using the internet to further their efforts to shake up corporations. Indeed, activists are increasingly coming online in search of new audiences for their ideas, and I hope you'll agree this makes writing about the potential and pitfalls of social media a timely move.

Our activist interviewee, Sahm Adrangi of Kerrisdale Capital, has been publishing his investment research online for years. When Barington Capital Group took a stake in Darden Restaurants last year, it did not simply upload a presentation to its website but hosted a full-on webcast, led by its CEO James Mitarotonda. Whether this practice will lead to greater interactivity between activists remains to be seen, but it seems unlikely that activists will want to close down any avenue of communication that adds the oxygen of publicity to their campaigns.

Twitter became a big talking point in the activism world when Carl Icahn joined the social network last year, and as comments from his Community Manager for our feature article make clear, he thrives on a crusading spirit in his approach to investing. Indeed, perhaps because they are pithier and more personal, Icahn's tweets are more eagerly awaited than his regulatory filings, though they often contain similar information.

In combative and media-hungry campaigns of the type Icahn specializes in, Tweets are a journalistic delight, requiring little to no editing and often forming a story in themselves. Issuers, which often put considerable restrictions on their social media teams and rarely offer much personality, are likely to be caught flat-footed, although eBay's well-orchestrated response to Icahn's campaign to spin-off PayPal may prove to be a model for the future.

> "Future campaigns may also benefit from the personal touch"

Now, with Clinton Group's largely successful campaign at ValueVision Media, we may have entered the age of video. Given that the company operates a TV-shopping network, Clinton Group's decision to make a film of its nominees discussing the campaign made sense.

That said, future campaigns may also benefit from this personal touch, even if the impact will be less than the famous Kennedy-Nixon debate. Personal impressions may not be overwhelmingly important for an investment community used to going through voting decisions at speed, but it could be useful for activists wishing to make a point about the quality of its slate and issuers wanting to emphasize the openness of their boards.

Elsewhere in the magazine this month, we have an overview of The Children's Investment Fund's long-running campaign at Japan Tobacco. For an international team, TCI has a very English patience about its investments, and has been pursuing the full privatization of the company for years. At a time when Japan is seeking a revolution in its corporate culture, the steady stream of activism there should be welcome. But change has been slow to come. As the New York Times reported this week, over 900 Japanese companies hold their annual meetings on the same day each year, ostensibly to make life as difficult for investors as for racketeers.

For those unable to make the exciting array of conferences in London this summer, we have reports from two that hosted their fair share of discussion about activism. I am personally glad to have had the opportunity to speak at events organized by ArrowCon Partners, IR Magazine and the IR Society this month, and to hear many interesting tales of corporates' encounters with activists.

It only remains for me to say thank you for reading, and please don't hesitate to get in touch if you have anything you would like to discuss.

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Activist Insight

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The social activists

Social media can destroy reputations, lead to product boycotts and send a company's stock price into freefall. Now, corporations worldwide are waking up to the fact that they could also find themselves under fire online from activist investors who have ousted embattled CEOs, overthrown boards and forced changes in well-entrenched business models.

With corporate activism on the rise, companies are realising they may have a yawning gap in their defences; it has become essential that they understand the growing impact of social media—such as Facebook, Twitter, LinkedIn and YouTube, as well as the rapidly multiplying number of investment community websites—in order to devise strategies for responding effectively once they find themselves in the firing line. One panellist at the IR Society summer conference this month told how his firm had used LinkedIn groups to source users of a company's product in order to gauge customer satisfaction.

"MOST INVESTORS STILL OPT FOR THE TRIED-AND-TESTED ROUTE OF A SPOT ON CNBC OR BLOOMBERG WHEN THE OXYGEN OF PUBLICITY IS REQUIRED"

Social media has already become a key component of securities markets, according to Charlie Palmer, Senior Managing Director in Strategic Communications in the London office of FTI, who notes that Bloomberg includes Twitter in its feed of potentially market-moving news. "Activist shareholders increasingly use social media to break market-moving news. Carl Icahn's Tweet about a meeting with Tim Cook of Apple added around $17bn to Apple's market cap," he says. Activism is comparable to hostile M&A and is delivering the kinds of superior returns that make investors sit up and take note, but issuers are behind the curve. "Companies are often not prepared to deal with activists and their initial response, which is critical, is poorly thought through often leading to an escalation of the situation," he adds.

There is now every indication that companies can increasingly expect such fights to protect their reputations. A recent survey by Activist Insight and FTI Consulting confirms that online activism is on the march, with 67% of all respondents expecting use of social media to increase in the coming year. And there have already been enough wake-up calls to alert businesses to the dangers of being ill-prepared.

> "Companies can increasingly expect such fights to protect their reputations"

In August last year, long-time activist and billionaire investor Carl Icahn used Twitter and Facebook to repeatedly call for Apple to expand its stock buy-back programme. He backed off when the company went some way to meeting his demands; but more recently he increased the intensity of his online activism at eBay, blogging furiously and inventing the hashtags, #notworldclass and #spinpaypalnow to promote a partial IPO of payments arm, PayPal.

Michelle Icahn, the Community Manager at Icahn Capital, told Activist Insight recently that her father "chose to adopt Twitter and other forms of social media such as his website, the Shareholders' Square Table, because he firmly believes they will greatly help in his overall mission to highlight and hopefully remedy the dysfunction of Corporate America." She added that Carl, who has been vocal in his belief that institutional investors are too quick to walk away from stocks rather than lobbying for change, believed "that through the various social media platforms such as Twitter, Facebook, Tumblr, etc available today to American investors and pensioners, [investors] can easily be made aware when management is doing a very poor job and nothing is being done about it."

Even so, there are pitfalls for activists to be wary of. The press reckoned that a stray tweet cost Icahn around $2,000 when he failed to notify the SEC he was commenting on Dell and was forced to instruct lawyers to make a hasty securities filing or face the regulator's wrath.

With costs so high, you might be forgiven for asking why activists bother using social media. Admittedly, most investors still opt for the tried-and-tested route of a spot on CNBC or BloombergTV when the oxygen of publicity is required.

But activists can often benefit from having their arguments and analysis accessible online, especially in proxy fights. One way of doing so, according to Greg Taxin, President of Clinton Group, is to create a campaign microsite. These are "a nice repository for all our letters, proxy statements and materials, because shareholders don't always look at these until right

A selection of Icahn's top tweets

@Carl_C_Icahn 13th Aug 2013

We currently have a large position in APPLE. We believe the company to be extremely undervalued. Spoke to Tim Cook today. More to come.

@Carl_C_Icahn 1st Oct 2013

Had a cordial dinner with Tim last night. We pushed hard for a 150 billion buyback. We decided to continue dialogue in about three weeks.

@Carl_C_Icahn 15th Aug 2013

NYT's thesis that Ackman's actions prove something is wrong with activism is specious. His actions prove only something is wrong with Ackman

"HIGHLIGHTING AN ACTIVIST SITUATION CAN BE PROFITABLE. SHARES IN APPLE SURGED AFTER ICAHN FIRST DISCLOSED HIS POSITION ON TWITTER"

before the vote," he says. In contrast to a company's rather cluttered and egalitarian SEC page, microsites draw attention only to one side's materials, as well as favorable press coverage. Doing so could prove worthwhile, even with well-informed electorates. Drawing on another survey from last October, FTI says that 40% of analysts and portfolio managers seek information from third-party influencers via social media.

A recent innovation, pioneered by Clinton Group in its proxy fight with ValueVision Media, is video footage of dissident nominees sharing their thoughts on the company. The video, thought up by one of Clinton Group's nominees, was "helpful," Taxin reckons. Given that the company operates an online shopping channel, the video was a way for the activist to "show what we can do," he adds.

Highlighting an activist situation can also be profitable. Shares in Apple, eBay and Family Dollar surged after Icahn first disclosed his position on Twitter. In another sign of things to come, more than two-thirds of self-proclaimed activists said in response to the FTI/Activist Insight survey that they would support other campaigns.

Naturally, issuers are starting to become more web-savvy. Last year, the SEC said it was fine for companies to post information that might be covered by Regulation Fair Disclosure on social media channels, as long as it had previously directed investors to these channels as a source of potentially market-moving information—a decision that should make it easier for issuers to respond.

Indeed, among the top tactics now being incorporated into "activist defence" systems is a push for more dynamic and visual platform content, including everything from blog posts to board of director videos.

Companies targeted by activists are also amplifying narratives of their business strategies, using, for example, YouTube videos, and also employing the use of so-called issue specific micro-sites, allowing them to mount detailed defences for an audience of analysts, investors and the media. Icahn-target eBay launched such a site in response to the activist, featuring posts from directors rebutting the activist's arguments and making the case for retaining PayPal (obligatory hashtag: #bettertogether).

Nonetheless, one clearly identified weakness in many business' attempts to control the terms of public debate lies in their traditional, internal demarcation lines. All too often, walls are erected between the marketers, who talk to consumers, and corporate affairs, who deal with governments, non-governmental departments and the media. Understandably, CFO's rarely take an active role in a company's daily social media management, but in an activist situation this leaves corporate affairs to make quick decisions about financial issues which are typically outside their remit. Advisers counsel that these different functions can no longer be left to operate independently, particularly in the case of social media through which information and opinions can be so rapidly generated.

But it should also be remembered that activism via social media is not solely about confrontation. Co-operation and consultation with companies in an effort to find common ground is a totally legitimate approach. Only too well aware of what can now happen to a business that finds itself at odds with critics out there in the digital world, companies would be wise to react constructively when they can, rather than simply returning fire.

As Mitzi Emrich, Managing Director, Digital and Social Engagement at FTI, says, "It is now critical for companies to have a social media presence, to share information across a broad range of both traditional and digital channels and use emerging media to connect with stakeholders and influencers in new and meaningful ways."

Social media use by activists—a timeline

June 2006: The Icahn Report is launched, a short-lived bully pulpit for the investor.

July 2007: Eric Jackson assembles a shareholder movement at Yahoo via YouTube videos.

December 2010: Icahn launches savelionsgate.com, one of the first campaign micro-sites.

October 2012: Kerrisdale Capital begins sharing research on Twitter.

August 2013: Apple market-cap gains $17 billion following an Icahn Tweet.

January 2014: Barington Capital hosts open webcast on Darden plans.

April 2014: Third Point makes up for dry past offerings with a Sotheby's campaign micro-site complete with reworked masterpieces.

May 2014: Clinton Group creates a video for its proxy contest at ValueVision Media.

London value investor conference

Activists ValueAct Capital and Southeastern Asset Management share their insights

On May 22, London played host to two distinguished activist investors. Activist Insight was there.

Outsiders in the board room

"We tend to think about our investments in terms of commissions and omissions. It's not the omissions that keep us up at night." Mason Hawkins, the founder of Southeastern Asset Management and a noted value investor, kicked the day off with an admonition about 'the importance of terrific partners'—based in part on William Thorndike's study of eight successful CEOs, The Outsiders. In a era when few stocks are trading at deep discounts, investors are more reliant on the actions of CEOs for their returns, Hawkins warned, but "partnering with a bad leader is a recipe for sleepless nights."

Southeastern, which managed $35 billion at the end of March, is loath to call itself an activist investor (one of its portfolio managers, watching the speech, says the firm prefers others to do the shouting and screaming). Nonetheless, the firm had a role in two major corporate changes in 2013. First, at Chesapeake Energy, Southeastern played a role in the premature retirement of CEO Aubrey McClendon. Then, having turned its attention to Dell, the asset manager sought to influence the PC-maker's capital allocation policies. It was Hawkins who told Michael Dell to repurchase shares, the investor said, but Dell who took this to extremes.

Attention at the conference was prone to drift to Japan, where Southeastern has invested since the 1998 Asian markets crisis. Despite an unhappy time at Olympus (the firm made money, Hawkins said, despite a huge corporate governance scandal and the government blocking the sale of a medical devices unit), it was "difficult to generalize," with some companies providing relatively good returns on equity.

> "Partnering with a bad leader is a recipe for sleepless nights"

ValueAdded

Newly appointed Microsoft board member Mason Morfit also spoke at the conference, emphasizing his firms' personal networks and focus on executive alignment with shareholders. In 14 years of investing, ValueAct has sat on 37 public company boards. Thanks to a dedicated summer intern, it believes that this gives it connections to 1,214 boards with one degree of separation (i.e. directors who have sat on boards with a ValueAct nominee and their fellow board members at other companies). That is equivalent to around one-quarter of the public companies in America, and an effort that culminated in a billion-dollar campaign at Microsoft.

Two examples of ValueAct-style activism came in the form of current hot investment Valeant Pharmaceuticals International, and Adobe. At the former, where Morfit was until recently a director, ValueAct made the CEO borrow $5 million to buy stock. "If he delivered less than 13% TSR [total shareholder return], he'd be the worst paid CEO on the S&P. If he earned 45% he'd be the best," Morfit said. "He earned about 85% and kept that up."

At Adobe, ValueAct opted to change the business model from a license-based to a subscription model, Morfit said. The result was a big cut in forward EPS—normally something prized by the market, but in this instance, well-rewarded. Adobe's stock has increased 154% since ValueAct first disclosed its investment, around three-times the pace of the S&P 500 Index.

Speaking to Activist Insight afterwards, Morfit predicted a downturn in activism, but said ValueAct had been assessing opportunities in the UK and would likely return.

A vital channel

An interview with David Shriver from Tulchan Communications

How important is it for companies to build a relationship with the media as a kind of forward defense for activism?

Having a reputation for openness and transparency is very important for a company. If you have an activist situation and you don't appear to have wanted to engage in peace-time, you're potentially storing up problems for yourself.

A company's starting point should be to try to be self-aware in understanding how its narrative plays out with key audiences among its stakeholder groups, particularly the media. This helps you be proactive in addressing issues that your stakeholders may have and possibly pre-empting any damage to corporate reputation.

Companies need good relationships with the media for sure. But they also need to understand the feedback loop between the media and the capital markets. One indispensable way to do this is to engage with your shareholders on a regular basis, either directly or through a third party, in order to understand what they are really thinking—rather than what you just think they're thinking.

How important is it for a company to cast a wide net with its media strategy?

The media represents a vital channel through which the conversation about you as a company takes place and the big issues are debated. As we often say, if a conversation isn't taking place then you have no corporate reputation. The media conversation about you will take place across a variety of channels including print, digital, broadcast and social media. Successfully engaging with the media requires joined-up communication.

> "The media will report the facts, but they need context to give those facts meaning"

The media will report the facts, but will need context to give those facts meaning. Companies that know the main correspondents tend to get a fairer hearing.

However, the days when you could just talk, in a silo, to a small number of key journalists are over. The digitalization of the media means that you need to use all media platforms to tell your story and you can no longer be inconsistent with the narrative you deliver to different stakeholder groups.

Consistency requires, among other things, discipline in delivering your story to different stakeholder groups; getting social media right; and being open and transparent in your dealings with the media. To repeat, the conversation that takes place about you as a company defines your corporate reputation. That conversation takes place across a variety of media platforms and the self-aware company engages with all of them.

Activists often seem to make companies defensive. Is there a reason issuers don't always seem to respond robustly?

It's probably the case that some companies are not sufficiently in touch with key stakeholders, including their shareholders, and therefore are taken unawares by the approach of an activist. If you don't appreciate the issues your key stakeholders have, around corporate governance say, you will struggle to respond when a shareholder challenges you and you will always be reactive rather than proactive in addressing the issue.

Sometimes companies can feel they are being persecuted by the media in an activist situation. Dissension between a board and a prominent shareholder is newsworthy and will be reported and it is possible to go away feeling battered and bruised and poorly treated. The antidote to that is being prepared, being open and transparent, and responding robustly to legitimate debate around issues of importance to shareholders.

"IT'S ALWAYS GOOD IF YOU HAVE A BUBBLE AROUND A COMPANY IF YOU HAVE SOMEONE WHO CAN PRICK THAT BUBBLE"

Does the prevalence of activist investors make it more important than ever for companies to know how investors view them?

I always think that to be forewarned is forearmed. A good way to ensure this is a regular independent perception study that assesses the level of understanding and the degree of support a company has in the investor community for its strategy, its capital allocation policy, and its senior management team. It should identify any issues or areas of concern. It will also identify the positives.

Being a self-aware company is about being conscious of what shareholders really think and a regular strategic deep dive provides companies with the opportunity to address any issues proactively, reinforce and clarify their message, and ensure the investment case is better understood ahead of any activist showing its hand.

Engaging with investors in this way, apart from demonstrating good corporate governance, provides shareholders with a conduit to the board through which their collective voice is heard, which in turn allows them to help shape or influence the debate. Dialogue, engagement and understanding are key in all of this. Having well informed and supportive investors onside is a crucial element in any activist defence.

Why does the media like activism stories so much? Do they sympathise more with activists?

The media loves a good activist story and that's not going to change any time soon. First because it's newsworthy. Second, because it is often about important issues to do with a company's balance sheet or capital structure which are of crucial importance to the company's future and well-being. Of course, the personalities involved on both sides can bring to life issues which occasionally can seem quite technical.

Part of the reason activists have been represented as a force for good is that they have focused on fundamental corporate governance issues, which some companies can, on occasion, lose sight of. It's always good when, if you have a bubble around a company, you have someone who can prick that bubble, and the right that comes with the risk of investing in equities is that you get to hold boards to account. Activists should be praised when they do that.

Do you think activists will use social media, and Twitter in particular, more in future?

In as much as Twitter is increasingly a media channel through which debate takes place about a company, and depending on the strategy an activist wants to employ, I think activists will use it more. Some activists will prefer private engagement, and that may increase as the effectiveness of this approach becomes more evident. But those that want to make the debate more public are likely to see Twitter, and other social media platforms, as an important channel to get their messages across.

Tulchan Communications is an advisory firm specializing in financial and critical communications that represents both activists and issuers in market communication. It recently acted for F&C Asset Management against Sherborne Investors and is advising Knight Vinke on its engagement with UBS.

Investor Perceptions, a joint venture between Rothschild and Tulchan Communications, delivers authoritative investor insights to company boards from an independent perspective.

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Opportunity strikes

An interview with Sahm Adrangi from Kerrisdale Capital

Sahm Adrangi has just returned from the GAIM International Conference in Monaco when Activist Insight calls. As the only keynote speaker from an activist firm, and a discussant of activism with Eric Knight of Knight Vinke, it was a sweet spot. According to press reports, "special situations", activism and distressed debt are some of the hottest topics at this, the hedge fund meet-up par excellence.

Opportunities abound

With levels of interest that high, activism has become a branding tool for hedge funds, who seek investors looking for uncorrelated returns. Advisers say this partially accounts for high levels of activism in small-cap companies—young hedge funds now want either career-defining victories in their first proxy contests, or at least a campaign that will put them on the map.

Kerrisdale Capital, the now-$300 million hedge fund Adrangi founded in July 2009, employs activism selectively and opportunistically. "One of the benefits to our space is that we can explore different strategies and markets," Adrangi tells Activist Insight, pointing to his firm's open mandate. "And there are a lot more opportunities across global markets than there are activist investors able to exploit them."

For a firm that has made its name in novel approaches to investing, Kerrisdale almost seems late to the activism party. In 2010 and 2011, it enjoyed enviable returns shorting fraudulent Chinese companies that had secured US listings through reverse mergers.

> "In 2010 and 2011, Kerrisdale enjoyed enviable returns shorting fraudulent Chinese companies"

Indeed, it was not until 2013 that it really dipped its toes into the activism pool, starting with a campaign to oppose a merger at a German REIT called Prime Office, and culminating in a proxy contest against Morgan's Hotel Group that ended just last month. "We're more opportunistic," Adrangi explains. "We're not afraid to use that tactic to enhance returns for our investors."

If the last year has been a learning curve, it has been a steep one. Four in five shareholders at Prime Office backed the deal, despite Kerrisdale releasing a presentation explaining its view that a badly-timed IPO, capital raise and poorly negotiated merger left shareholders with a 55% net discount. A call for irrigation and infrastructure firm Lindsay Corp to be less conservative with its capital led to progress of sorts, but in the end Adrangi says it made more sense to have a dialogue with management and exit the stock quietly, dropping plans for a proxy contest.

Fortuitously, Morgans Hotel Group provided a better platform for the firm's first significant campaign. The company had an unsettled shareholder base as a result of a proxy contest the previous year, but major shareholder Ron Burkle looked unlikely to act on his letters calling for the sale of the company. Instead, his Yucaipa Companies agreed to a standstill agreement in return for which the company would repurchase its convertible bonds.

"We and Burkle had the same opinion of what the company should do," Adrangi says. "We think the company should run a full auction process, Burkle thinks the company should run a full auction process, and we think shareholders believe the same."

The day before Kerrisdale won two seats on the company's board, Morgans hired an investment bank to sound out potential buyers. And while the stock has been choppy since the meeting, Kerrisdale, Yucaipa and a number of shareholders may yet get their premium.

"THERE ARE A LOT MORE OPPORTUNITIES ACROSS GLOBAL MARKETS THAN THERE ARE ACTIVIST INVESTORS ABLE TO EXPLOIT THEM"

Self-publishing

But does it not worry the firm's investors when Kerrisdale switches from a passive position to an activist one overnight? The firm's approach is somewhat maverick, it seems, with the team reliant on good returns to keep investors happy. "We communicate to our investors," Adrangi says. "Our investors can expect us to do a bunch of things they wouldn't necessarily expect us to do."

Part of this reputation for openness is derived from Kerrisdale's research, which it publishes on a weekly basis by e-mail and on Twitter. At the time of writing, the number of followers of its Twitter account was nearing 6,000.

"We pride ourselves on being one of the most forward thinking firms in that area," Adrangi says, adding that he hopes the notes impact on public opinion. "We're trying to build a reputation for being sophisticated thinkers," he adds.

Adrangi's hero in this and other activism-related areas is Third Point Partners, the hedge fund run by Dan Loeb. "Some of Third Point's letters have been exceptional in informing shareholders," Adrangi says. "They tailor shareholder activism to specific situations. Every company is different."

Of course, one of the things Loeb has become known for, in addition to short spells on company boards and hand-picking management, is the sharply worded public letter that eviscerates a CEO. Common themes include a "good ol' boy" set of ethics and tooling around in luxurious vehicles, imbibing at shareholder expense.

So far, Kerrisdale has stopped short of emulating this model, with Adrangi saying his firm prefers to align with good management on the whole. However, he points to criticism of the Morgans executives during the campaign and suggests "at some point we probably will [write one of those letters]."

The next six months of this year is likely to be equally opportunistic, says Adrangi, with no activism in the pipeline. However, with Kerrisdale known to be opportunistic about publicity as well as investment opportunities, there is surely the possibility that something will emerge.

Sahm Adrangi is the Chief Investment Officer of Kerrisdale Capital, a $300 million activist hedge fund based in New York.

Case Study–The Morgans fight

"You couldn't get more activist than we did at Morgans," Adrangi says of a campaign that saw it emerge with two nominees elected to the board of the boutique hotel operator.

Morgans had been at the mercy of its shareholders since last proxy season, when the company's largest investor, Jason Talisman's OTK Associates, emerged as surprise winners of all seven board seats. That upset Ron Burkle, whose Yucaipa Companies were the second largest holder. Yucaipa sued OTK for an improper solicitation, while in September, Burkle fired off a now famous letter which accused Talisman of "acting like a spoiled child" and calling on him to sell the company. Those circumstances created what Adrangi calls "the most obvious activist situation ever," and Kerrisdale duly jumped in by announcing that if no one else did, it would nominate a slate of directors at the next annual meeting.

Yet if Adrangi hoped Kerrisdale's slate would coast to a comfortable win, he was soon disabused of that notion. In March, Morgans issued a press release saying it believed Kerrisdale's "unqualified slate of colleagues and cronies shows the obvious lack of interest by serious industry professionals from wanting to associate themselves with Mr. Adrangi, his fund and history of PR campaigns." It went on to accuse the activist of a "self-interested pursuit of a proxy fight… motivated primarily by a desire to seek publicity." Even so, it took the announcement a day before the vote of a plan to hire Morgan Stanley to explore strategic alternatives to limit Kerrisdale to two seats on the board.

Speaking in the aftermath of the defeat, Adrangi admits that his slate came in for a lot of criticism. "I'm not going to say we did everything right. There are certainly best standards and we'll get more experienced." The first proxy fight was "a learning process," he admits, but one which nonetheless provided a valuable victory in its first public fight.

The growth of activist investing in Europe conference

A review of the event, hosted by Arrowcon Partners at the Waldorf Astoria on June 2nd

Activism has continued its meteoric rise since the financial crisis, and is becoming a globalized force. That was the message from David Rosewater's opening remarks. The Co-Head of the Schulte Roth & Zabel LLP New York and London-based Shareholder Activism practice said he had repeatedly spoken to US activists about the prospect of an increase in situations in Europe and was poised to enjoy increasing interest from investors and issuers alike.

The Perfect Storm

Indeed, for David Trenchard, Vice-Chairman at Europe-based activist Knight Vinke, activism is increasingly being adopted by traditional long-term investors. "The overall acceptance level is very high," he told the conference. "Typically, an activist can perform a level of research that makes [institutional investors] want to talk to us."

Yet it is not only ideas that institutions look to activists for. Increasingly, institutions are voting with activists who identify ways to force underperforming companies to change course. Dan Silvers, a Managing Director at SpringOwl Asset Management and a board member at online gaming firm Bwin.party Digital Entertainment plc following a proxy contest initiated by his firm and subsequently settled, said activism was likely to be of interest anywhere an investor recognized deep value. "It's always preferable to work with a company behind the scenes," Silvers said. "But you have to look at what happens when it gets to a public discourse."

> "The current environment only works if institutional investors support activists"

The rise in activism is a result of what Camberview Partners founder Abe Friedman likes to call "The Perfect Storm." In this interpretation, the rise of professionalized corporate governance functions, corporate scandals and capital trends that have seen institutions exposed to a larger and broader range of stocks have ended the Wall Street Walk. "The current environment only works if institutions support activists," he says. But activists have been quicker to woo institutions than many issuers. "Activists have begun to hone in and understand what drives vote decisions," Friedman says. "Activists have tested all the messages."

Identifying and reducing risk

With issuers therefore justified in being concerned about the possible impact an activist intervention might have, attention turned to assessing the risks of becoming an activist target, with Crescendo Partners founder Eric Rosenfeld on hand to explain his stock-picking process. "[Activists] need an unhappy shareholder base," he said, noting that his firm read earnings call transcripts, spoke to analysts and other shareholders and assessed voting records as part of its due diligence process. "When companies see there is disappointment, they need to listen," he counselled.

According to David Sola, a London-based banker at Houlihan Lokey, investment banks want to be trusted advisers, a position that occasionally makes them under-critical. "You have to be able to tell the company they're going to get whacked," he says.

Rachel Posner, an adviser to corporate clients with AST, said issuers had to be proactive, and communicate the efforts made to engage shareholders early on in their proxy statements. Other proactive structural defenses mentioned at the conference included compensation packages with long-term incentives, diversity and expertise across the board of directors and, in the case of M&A targets, poison pills to restrict an activist's ownership of the company.

Giuseppe Recchi, the Chairman

"IT IS NOT GOOD ENOUGH TO BE [A] PART-TIME [CHAIRMAN], WORKING ONE-DAY A WEEK"

of Telecom Italia who faced a shareholder revolt orchestrated by Mario Fossati's Findim Group, said activists should be welcomed, in the right context. Those without long-term horizons might threaten a company, he admitted, but it was important to know the expectations of one's shareholder base in order to align the company's interests with those of its owners. "The role of a chairman is to engage with all shareholders and reflect their views," Recchi said of his own experience. "It is not good enough to be part-time, working one day-a-week."

Beating activists at their own game

According to David Hunker, an investment banker advising on M&A on behalf of JP Morgan, Trian Fund Management's Nelson Peltz once called the CEO of Ingersoll Rand on a Friday evening, saying the Wall Street Journal had picked up on his fund's stake in the company and would run a story on the activist's likely demands on Monday. The need to get a response to the paper and contact major shareholders was critical, he recalled.

London's financial press was singled out as a factor that might prove important in future campaigns by numerous speakers, with Joele Frank Partner Andrew Siegel noting that public opinion was crucial to a good settlement agreement. According to David Shriver, a Managing Partner at Tulchan Communications, the media in London are scrappier and more drawn to controversy than elsewhere, and therefore happy to write about activism. However, ad hominem attacks were usually ill-advised, he noted.

> "The media in London are scrappier and more drawn to controversy, and therefore happy to write about activism"

Chris Young, who runs activism defense services for Credit Suisse, said it was important for management to keep boards in the loop on strategic questions. "If boards ask management why they haven't heard an activist's idea before, management's credibility gets dinged," he warned. Investor relations departments should perform a role analogous to "a canary in a coal mine," according to Siegel.

Lawyers at the event were quick to point out that the UK is often seen as an activist-friendly environment, with investors able to requisition meetings, mail their resolutions with the company's proxy and use the drawn-out process outlined by the takeover code to influence events.

Stephen Nash, a Partner at Eversheds, highlighted insider trading rules as a major risk to activists—and one that might force them to remain outside of the negotiating room when conducting their campaigns, while Piers Prichard Jones of Freshfields noted it was not unknown for activists to make insider information public in order to give themselves more freedom to act. As a result, Schulte Roth & Zabel's Jim McNally recommended companies regularly use "section 793" notices (Companies Act 2006) to find out who their shareholders are.

Keynote address—Eric Knight, Knight Vinke Asset Management

Eric Knight, the founder and principal of Knight Vinke Asset Management, set out to demonstrate his firm's unique brand of activism, long-only and focused on large-cap value opportunities. That was a neglected sector, he argued, but the rise of passive investing, lack of discipline from private equity, and the fragmentation of control (with regulators, unions and politicians all interested in certain companies) had created "ownerless companies." One of those opportunities was at French retailer, Carrefour, whose size and influence in the French retail markets Knight said made a high degree of moral and intellectual integrity absolutely necessary in the race for public opinion. According to Knight, the activist spent $2-3 million in research before investing in the company, but once invested dropped its support for a real estate spin-off when it recognized that the plans were ill-considered. Recently, Knight Vinke has focused on Europe's banking sector, and on UBS in particular, where it advocates separating the investment bank. Just reading the bank's annual report took three days, Knight said, with proper understanding taking two-to-three weeks. The investor wanted to understand how risky investment banking really was, he said, and recently data on the volatility of the bank's assets and liabilities suggested that the answer could be significant.

Proxy Insight

Revolt on bankers' compensation spreading

A look at the latest research from Proxy Insight

Proxy Insight data indicate that shareholder opposition to remuneration at the world's largest banks this year reached average highs last seen in 2012.

The results of mostly non-binding "say on pay" votes at the annual meetings of the top 20 banks saw an average 13.1% of shareholders vote against management in 2014—the same as in 2012, and a significant increase on the average 8.4% who voted against management last year.

A number of high profile revolts during this year's proxy season embarrassed the likes of Barclays, JP Morgan Chase and Standard Chartered, which all received votes against exceeding 20% of their shareholder base.

What has been less noted is that opposition to bankers' pay is more diffuse today than in 2012, with votes against management exceeding 10% at ten banks. In 2012, the remuneration policies of five of these 20 banks received votes against of 10% or more. Fig 1. below provides further detail.

Who votes against?

Proxy Insight has analysed the remuneration votes of major institutional investors at each bank during 2013 to illustrate the level of opposition from long-term investors. Domini, Trillium and Green Century opposed management on every remuneration vote, where they voted, as did Proxy Voting Advisor PIRC, which has a large influence over local authority pension funds.

Public pension funds such as PGGM, British Columbia and APG also voted against management on a frequent basis. However, perhaps more significant is that a number of traditional asset managers such as Aviva, Threadneedle and Fidelity Worldwide opposed at least half the remuneration resolutions where they voted. The full data are shown in Fig 2. below.

Fig 2. Shareholders/advisors who voted against/abstained from bank remuneration proposals:

Rank	*Shareholder/Advisor*	*Against/ Abstain*
1	Domini Social Investments	100%
2	Trillium Asset Management	100%
3	PIRC	100%
4	Green Century Capital Management	100%
5	PGGM Investments	72.2%
6	British Columbia Investment Management Corporation	61.5%
7	Aviva Investors	53.3%
8	APG	50%
9	Threadneedle Investments	50%
10	Fidelity Worldwide Investment	50%

Fig 1. Top global banks—% votes against for remuneration plans:

Bank	*2012*	*2013*	*2014*	*Bank*	*2012*	*2013*	*2014*	*Bank*	*2012*	*2013*	*2014*
Citigroup	54.6	8.3	14.9	HSBC	10.2	11.0	16.1	BNP Paribas	n/a	n/a	6.8
UBS	36.8	15.8	11.2	JP Morgan	7.2	5.5	21.2	Bank of America	6.9	6.1	6.4
Credit Suisse	31.6	10.3	16.6	Goldman Sachs	5.1	12.3	16.5	Lloyds	2.3	4.1	12.7
Barclays	26.9	5.3	24.0	Morgan Stanley	5.2	13.2	7.3	Banco Santander	8.1	6.4	4.0
Standard Chartered	7.4	7.2	40.8	Deutsche Bank	5.8	11.3	n/a	Wells Fargo	3.4	2.2	2.1

TCI at Japan Tobacco

When Shinzo Abe became Prime Minister of Japan in 2012, investor sentiment began to warm to a country long known for its overvaluations and prickly corporate governance. This year, the government drew Abe's 'third arrow'—corporate reform—from its quiver and let loose. Opinion is divided on whether the policy changes hit the bullseye, but an activist investor was taking note.

The Children's Investment Fund (TCI), which has a base in the City of London but operations globally, had already held stock in one of the country's premier brands for a year when Abe took office. According to Oscar Veldhuijzen, the Partner at TCI responsible for the investment, Japan Tobacco stock was trading at "distressed levels" back in 2011. Since the beginning of that year, however, it has performed well, rising 143% to date. Yet Veldhuijzen believes there is more to come.

Japan Tobacco

Industry	*Tobacco Products*
Sector	*Consumer Goods*
HQ	*Tokyo, Japan*
Market cap	*¥ 7,386 bn **
Exchange	*Tokyo Stock Exchange*
Ticker	*2914*

* accurate as of 01 July, 2014

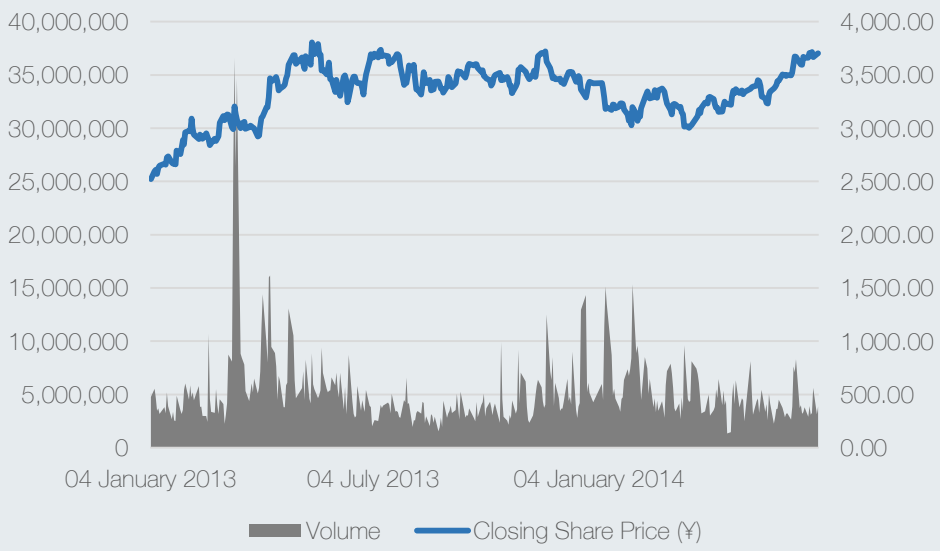
He says the stock is still a "unique opportunity, poorly understood by investors." At both the 2012 and 2013 annual meetings TCI put forward proposals to significantly increase the company's dividend. Both times it was rebuffed by fellow shareholders, but analysts say the activist has "raised the bar" in terms of what can be considered a meaningful return to shareholders.

Repurchasing more shares could be an important symbol that the company should be valued at a multiple close to its peers, TCI says. While the stock is currently valued at 10-times earnings, TCI believes the company should be trading at a premium to its peers as it has faster sales and profit growth than competitors, but management of JT's balance sheet has led to a 30% discount based on its enterprise value to operating profits. With a significant buyback, Veldhuijzen sees 15-times earnings as realistic, representing a 50% upside.

Another policy TCI has advocated

"FURTHER UPSIDE FOR THE STOCK MAY COME FROM PRICING UPDATES, INCLUDING IN JAPAN AND RUSSIA"

2914 stock since January 2013



2914 Snapshot

52 week high	¥ 3,800 *
52 week low	¥ 2,992*
Share price	¥ 3,703*
P/E	15.7 **
P/B	2.68 ***
P/Sales	3.08 **

** accurate as of 01 July, 2014*
*** trailing 12 months, accurate as of 01 July, 2014*
**** most recent quarter, accurate as of 31 Mar, 2014*
Data provided by Reuters

for the past three years is for JT to buy back the shares owned by the Japanese Ministry of Finance. In fact, the government has slowly relinquished its holding in the company over many years. In 1985, the state privatized a third of JT's shares. In 2004, the Ministry of Finance sold shares down to 50.1% and more recently, after further urgings from TCI and with capital needed urgently to rebuild the country in the wake of the tsunami that hit the country in 2011, to 33%.

Yet as Veldhuijzen stated in a recent letter to Shinzo Abe, "further privatizations are crucial to the achievement of your economic growth targets, and JT's full privatization would provide Japan with a strong boost in confidence from the international investor community." In this it claims to have an important ally—the company itself. In addition to noting a company press release calling for full privatization "in order to manage the business competitively," Veldhuijzen says that a member of the board discussed the letter to Abe with TCI the day before it was sent and approved of the sentiment.

Holding onto large amounts of cash is not unusual for Japanese companies. Indeed, in 2012, Japanese companies increased cash holdings to $2.2 trillion. Yet, in the board's response to TCI, the company states that buying back shares would dampen its ability to make future investments. In 2012, it purchased Belgium's Gryson NV for $661 million, and earlier this year acquired Zandera, maker of E-lites, and a leading e-cigarette brand in the United Kingdom. Financial details of this purchase have not been made public, but the company says that the deal will have little impact on its cash flow for the fiscal year, with a mixture of cash and debt used to complete this acquisition.

TCI sees little need for further large acquisitions and has actively tried to dissuade the company from making a bid for its rival, Imperial Tobacco. However, Erik Bloomquist, an analyst at Berenberg who covers the stock, thinks there are opportunities out there, including Gudang Garam, an Indonesian company.

As a result, a buyback seems unlikely to become a priority for the company. Indeed, JT appears philosophically opposed to TCI's proposals. While the activist states in its proposal that the "capital structure of the company is underleveraged and the shares undervalued," the company claims that it would have to borrow capital to finance an increase in dividends.

That may not be all bad news however. Further upside for the stock may come from pricing updates, with Veldhuijzen noting that most taxes are fixed, so increases in consumer products would have a larger impact on profits. There is plenty of room to raise prices in key markets like Russia and the domestic one, he thinks. Bloomquist also thinks there could be a significant earnings upside, with a increase in the Mevius brand (accounting for roughly half of JT Domestic volume) from a mid-price offering to a premium offering providing "at least" 15-20% profit upside.

Activist Insight

News in brief

A round-up of the latest developments in activist investing

North America

Two proxy contests by **Clinton Group** climaxed in consecutive weeks, leaving the activist with mixed results. Clinton failed to win any of the three board seats it sought at **Xenoport** and passed only one of its stockholder proposals; a requirement for the company to adopt a majority standard on future resolutions. However, the activist swept the board at **ValueVision Media**, winning four seats and passing resolutions stripping out unfriendly bylaws. The new board decided to remove CEO Keith Stewart and replace him with Clinton nominee Mark Bozek.

Carl Icahn announced a new stake in **Family Dollar Stores**, a mid-cap retail chain headquartered in North Carolina. Icahn believes the company, which instituted a poison pill in response, should put itself up for sale.

Ackman's **Pershing Square Capital Management** changed tact in its efforts to press botox-maker **Allergan** to sell itself to Canadian pharma predator Valeant Pharmaceuticals International. The activist will now seek to remove Allergan's board and replace them with nominees more friendly to the takeover bid, in place of holding a referendum on the deal. Valeant started a tender offer for the stock after Allergan rejected its second, revised offer.

Activist investor **Starboard Value** has deferred plans for a proxy contest at **Darden Restaurants**, saying that a special meeting was no longer a good use of company resources. However, Starboard also said it continues to believe that there is value to be unlocked at Darden and it would seek to remove a majority of the board at the annual meeting.

Starboard also disclosed a new stake in packaging solutions company **MeadWestvaco**, saying that 2014 was a critical year for the company and recommending cost-cutting, operational focus and a $500 stock buyback.

> "Starboard Value has deferred its plans for a proxy contest at Darden Restaurants"

North Tide Capital reached a compromise with Healthways, gaining three board seats and the formation of a strategic review committee under the leadership of North Tide nominee, Bradley Karro, as part of the deal.

D3 Family Funds engaged in discussions with management at Rosetta Stone on a variety of issues concerning the company's future. The activist, which owns an 8% stake in the company, praised recent developments at the provider of language-learning solutions, but also said the company should be more focused, and should expand its board to include digital marketing and customer experience expertise.

Cliffs Natural Resources has filed definitive proxy materials ahead of its July 2nd showdown with activist investor **Casablanca Capital**. As previously announced, the mining company is nominating only nine directors for its 11 board seats, effectively allowing the activist two seats on the board. Yet despite that concession, Cliffs continues to argue that a victory for Casablanca's six-person, majority slate would be bad for shareholders.

Related Fund Management and **Corvex Management**, the activists which removed the entire board of CommonWealth REIT through a consent solicitation earlier this year after a previous effort ended in arbitration, will seek to be reimbursed with the $33.5 million they spent in connection with the campaign.

New York-based hedge fund **Orange Capital** launched a proxy contest against Canadian hospitality operator Partners REIT. The activist said it would nominate a slate of new, independent trustees and wants to buy a further 7% of the Ontario company through a tender offer at $5 per share. The company responded by postponing its annual meeting, filing a complaint with the securities regulator and calling Orange Capital's offer a 'bait and switch' tactic aimed at securing control of the REIT without paying for it.

Pennsylvania's **Metro Bancorp** was targeted separately by three activist investors, who wrote letters to the board arguing that the company should be put up for sale.

Shareholders backed the management of Xenoport in the face of a proxy contest with Clinton Group.

Europe

Irish-listed oil exploration company **Petroceltic** settled with Swiss activist investor **Worldview Capital Management**. Worldview, which holds over 20% of the company's stock, was expected to vote in favor of a rights offering by the company, in return for significant board changes including two out of seven seats on a slimmed-down board.

Vincent Bollore took over as Chairman of French entertainment conglomerate **Vivendi**. The company, which has sold video game-maker Activision Blizzard and mobile network SFR over the last year, is attempting to reposition itself as a content-based media company.

London-based fund **Crystal Amber** disclosed two new positions. The activist's Richard Bernstein told The Growth of Activist Investing in Europe conference that **NBNK Investments**, founded to bid for over 600 units of Lloyds TSB and with a lawsuit against the bank pending, offered little risk and a significant potential upside, adding that he had bought in at 75% of the value of the company's cash assets. Bernstein also said that the portfolio of his second investment, in closed-end fund **Juridica Investments**, was maturing well and that capital should be returned to shareholders.

SpringOwl Asset Management's nominee joined the board of **Bwin.party Digital Entertainment**, after the activist invoked a right to appoint one director acquired with its initial purchase of shares in the company. Portfolio manager Dan Silvers was previously on the board of International Game Technology. Talks are continuing over adding Michael Fertik, one of SpringOwl's candidates in its aborted proxy contest at Bwin, and possibly one other director to the board. Shortly after Silvers joined the board, reports that the company was considering selling itself or some divisions caused a stock price surge.

InterContinental Hotels Group announced a special dividend to be paid at the end of June, perhaps in an effort to persuade investors to back the management in rebuffing potential suitors. Last month it emerged that 3.5% holder **Marcato Capital Management** had called for the company to be sold to a larger hotel chain.

Amber Capital, holder of a 1% share in **Telecom Italia**, told a news agency that it wanted the company to reduce its exposure to Brazil. Banks holding a significant stake in the telecommunications company left a defensive alliance formed in response to a campaign by Marco Fossati's Findim Group, and may sell their shares.

Rangers Football Club, a Scottish Premier League soccer team, was reported to be considering an £8 million share issue. **Laxey Partners**, which raised protests when it offered the cash-strapped club a £1.5 million loan, indicated that it would be interested in purchasing more shares.

Rest of World

Australian-listed **Antares Energy** announced the date of its special meeting, where it will face efforts by **Lone Star Value Management** to remove two of its directors and appoint five of the activist's nominees. The Chairman of Antares, James Cruickshank, also criticised Lone Star for "running a media campaign rather than constructively engaging with management."

Ion Asset Management requested Israel-based technology company **Orbotech** add three items to its proxy statement and delay the annual meeting to allow shareholders more time to review its proposals. The activist has nominated a four-man slate for the three-person board, with the fourth candidate filling a new "external director" position. Other proposed resolutions include the removal of the company's staggered board and a review every second and fourth quarter of the company's capital structure, dividend and share repurchase policies.

Activist Insight

New investments

A round-up of the latest activist investments

Activist	*Company*	*Date Notified*	*Stake*
Altai Capital Management	**ServiceSource International**	**Jun 27, 2014**	**9.9%**
Altai is in talks with the service revenue management company, but did not go into detail about its plans.			
Dolphin Associates	**Rentech**	**Jun 27, 2014**	**Unknown**
Describing itself as a long-term holder of the stock, Dolphin called for Rentech's wood fibre business to be spun-off.			
Relational Investors	**Manitowoc**	**Jun 26, 2014**	**8.5%**
Relational privately pushed for a spin-off of Manitowoc's food services division in January and has now gone public.			
Paulson & Co	**Allergan**	**Jun 25, 2014**	**2.0%**
Reuters reported that the activist had taken a position in support of the Pershing-Valeant takeover bid.			
Privet Fund Management	**Nobel Roman's**	**Jun 23, 2014**	**7.2%**
The small-cap pizza restaurant chain is an unusual investment for Privet, which nonetheless argues the stock is undervalued.			
Legion Partners Asset Management	**1347 Property Insurance**	**Jun 20, 2014**	**7.2%**
Legion Partners may look to influence board composition or capital allocation to improve the company's price to book ratio.			
Timothy Stabosz	**Claude Resources**	**Jun 20, 2014**	**5.2%**
Stabosz supports the idea of the company being sold at an acceptable premium and wants new board members.			
Lone Star Value Management	**Dakota Plains Holdings**	**Jun 17, 2014**	**8.4%**
Prolific activist Lone Star says shares in the crude oil seller are undervalued and has sought meetings with management.			
JEC Capital Partners	**Synacor**	**Jun 17, 2014**	**9.8%**
JEC Capital wants the company to halt its search for a new CEO and retain an investment bank to evaluate strategic options.			
Amber Capital	**Telecom Italia**	**Jun 17, 2014**	**1.0%**
Amber Capital added its voice to those who believe the company should exit the Brazilian maket.			
Crystal Amber	**Juridica Investments**	**Jun 17, 2014**	**3.6%**
The activist said Juridica's portfolio was maturing and called for more capital to be returned to shareholders.			
Clover Partners	**Metro Bancorp**	**Jun 16, 2014**	**Unknown**
Clover Partners was the second of three activists to call on the company to put itself up for sale.			
Marcato Capital Management	**Goodyear Tire & Rubber**	**Jun 16, 2014**	**4.3%**
Marcato is expecting the market to do the hard work for it at Goodyear, predicting a surge in tire sales and higher margins.			
Paulson & Co	**Extended Stay America**	**Jun 11, 2014**	**27.2%**
Paulson went from a passive to an active holder as the result of an agreement on the composition of the board.			
Timothy Stabosz	**Medient Studios**	**Jun 10, 2014**	**5.4%**
Stabosz will seek to wrest control of the near-bankrupt film-making company from its CEO by calling for new directors.			

Continued opposite...

Gold standard: Timothy Stabosz has offered to serve on the board of Claude Resources.

Activist	*Company*	*Date Notified*	*Stake*
JANA Partners	**Civeo Corp**	**Jun 09, 2014**	**11.5%**
JANA shifted its exposure to the accommodations company spun-off from Oil States International from its parent.			
PL Capital	**Banc of California**	**Jun 09, 2014**	**7.1%**
PL Capital sent a long letter to the bank's CEO highlighting its concerns about corporate governance and compensation.			
Lawrence Seidman	**Westbury Bancorp**	**Jun 09, 2014**	**5.9%**
Seidman is expected to call for changes to the bank's capitalization or ownership structure in meetings with the board.			
Carl Icahn	**Family Dollar Stores**	**Jun 06, 2014**	**9.4%**
Icahn has called for the sale of the mid-cap discount retailer, saying consolidation in this sector was "inevitable."			
Norman Pessin	**Sharps Compliance**	**Jun 05, 2014**	**4.9%**
The retired fund manager suggested he would make suggestions regarding Sharps' "capitalization or operations."			
Carl Icahn	**Fannie Mae & Freddie Mac**	**Jun 04, 2014**	**Unknown**
Icahn is believed to be among several investors hoping the US Government does not wind up its largest mortgage securitizers.			
Nile Capital Management	**Midas Medici Group**	**Jun 04, 2014**	**19.7%**
Nile Capital intends to nominate three directors at the IT company and has criticized its lack of financial reporting.			
Starboard Value	**MedWestvaco**	**Jun 02, 2014**	**5.6%**
Starboard called for cost reductions, a buyback and operational improvements to unlock value at the packaging company.			
Relational Investors	**Magnum Hunter Resources**	**May 30, 2014**	**16.1%**
Relational built its stake partially through a $150mn private offering and is expected to focus on operational issues.			
Norman Pessin	**Insignia Systems**	**May 29, 2014**	**4.3%**
Pessin seems likely to benefit from earnings reports following the later Easter holidays and a previously announced buyback.			
Marcato Capital Management	**InterContinental Hotel Group**	**May 29, 2014**	**3.8%**
The activist noted recent reports of a potential buyer and wants InterContinental to consider selling up.			
Becker Drapkin Management	**PowerSecure International**	**May 27, 2014**	**8.8%**
Becker Drapkin may propose or recommend nominees for the electric utility servicer's board.			
Canell Capital	**PMFG**	**May 23, 2014**	**5.4%**
Carlo Canell's firm has nominated two directors ahead of the machine-maker's November annual meeting.			
Marcato Capital Management	**Life Time Fitness**	**May 21, 2014**	**6.0%**
Marcato disclosed and then increased its stake in the gym-operator, possibly looking at the company's real estate value.			
Iroquois Capital Group	**Alanco Technologies**	**May 19, 2014**	**9.6%**
Iroquois, which specializes in small-cap and turnaround investing, may seek talks with the board, management or shareholders.			

Activist Insight

FTI CONSULTING

The activist view

More results from the FTI Consulting/Activist Insight activist investor survey

Targeting

63% say negative investor sentiment

is the most important characteristic of an attractive activism target

Follow-On Effect

69% support other activists

by investing in previously commenced activist situations

Media's Influence

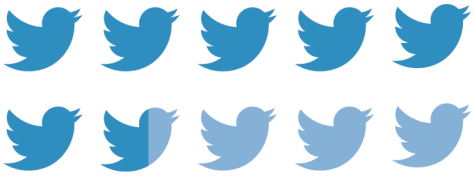
88% of activists

feel the media has positively impacted activism

Public Vs. Private Activism

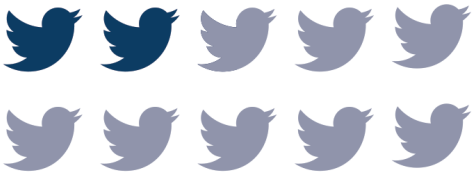
Activists estimate only 31% of engagements enter the public domain, but 44% expect that number to increase in 2014

67% expect an increase



in use of social media

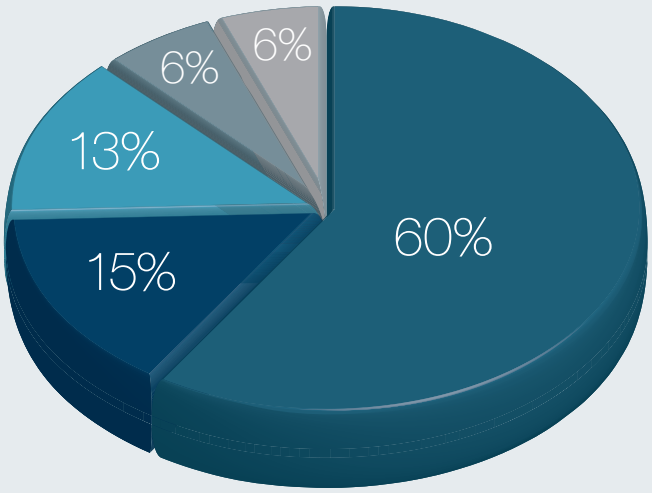
26% already use Twitter



and have used social media (e.g., blogs, Twitter) in engagements with companies

Activism in numbers

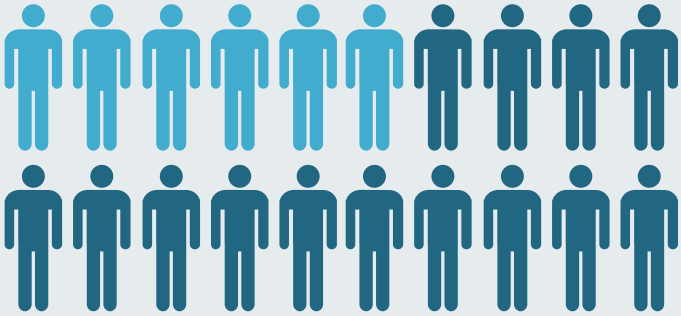
Activists successful in H1 2014



Activists were at least partially successful in achieving their objectives in 66% of all campaigns initiated and resolved in H1 2014

- Activist's objectives successful
- Compromise/settlement
- Activist's objectives unsuccessful
- Activist's objectives partially successful
- Activist withdrew demands

M&A Activism



Six activists of the twenty who publicly initiated an activist strategy in June pushed for the sale of the target issuer

13D Digest

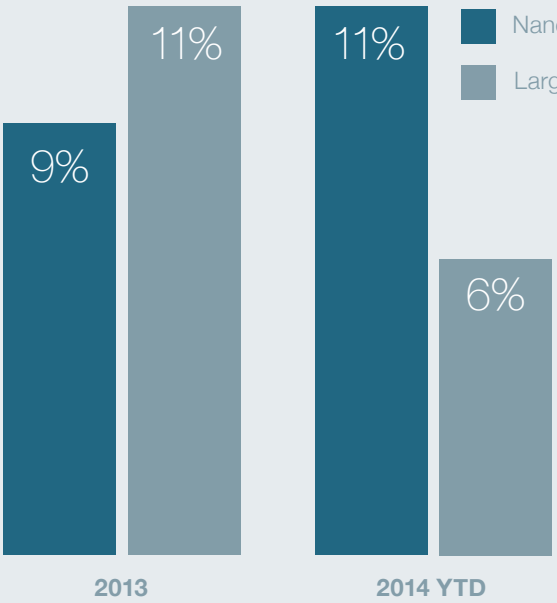
35

Number of 13Ds filed in June, up from 26 in May

75

Number of 13D/As filed in June, down from 76 in May

Nano-cap Activism on the rise?



Nano-caps comprised 11% of activist targets in H1 2014, up from 9% in 2013; Large-caps witnessed a decline in popularity from 11% to 6% over the same period

Activist Insight Online

The definitive resource on activist investing

Market-leading commentary, analysis and profiling of all activist situations worldwide

Detailed profiles of 300 activist investors worldwide, including investment strategy, activist holdings and performance.

Live and exclusive news service and alerts system, keeping you informed of all activist situations worldwide.

Market analysis, intermediary profiling, bespoke data requests and much more...

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