

Shareholder Activism: an evolving challenge



Introduction

Shareholder activism has been a highly visible feature of the global capital markets for the last several years. Prominent activist investors continue to make headlines with campaigns against some of the world's biggest companies. But now, beyond these powerful players lies a rapidly growing set of investors who are becoming "active" by taking stakes in companies and making demands of management teams and boards across the globe.

Shareholder activism is a developing asset class that continues to evolve. Five years ago, activists were commonly viewed with a strong negative connotation, reputed for making hostile demands for their own short-term gain at the long-term expense of the companies they targeted. Today, we believe it is too simplistic to think of activism as an ominous "threat" of predatory investors that corporates need to prepare to "battle". Rather, what it means to be an activist is much more nuanced in today's landscape.

So how exactly has the landscape shifted, what are

these investors looking for, do their evolving tactics actually work, and what should corporate leaders consider in order to prepare? In this edition of ***Credit Suisse Corporate Insights***, we explore how the activism environment has changed, what makes a company vulnerable today, and whether activists' claims about generating "alpha" are substantiated – all in an effort to better understand what corporate decision makers should do in order to prepare and respond to shareholder activism.

A new paradigm in shareholder activism

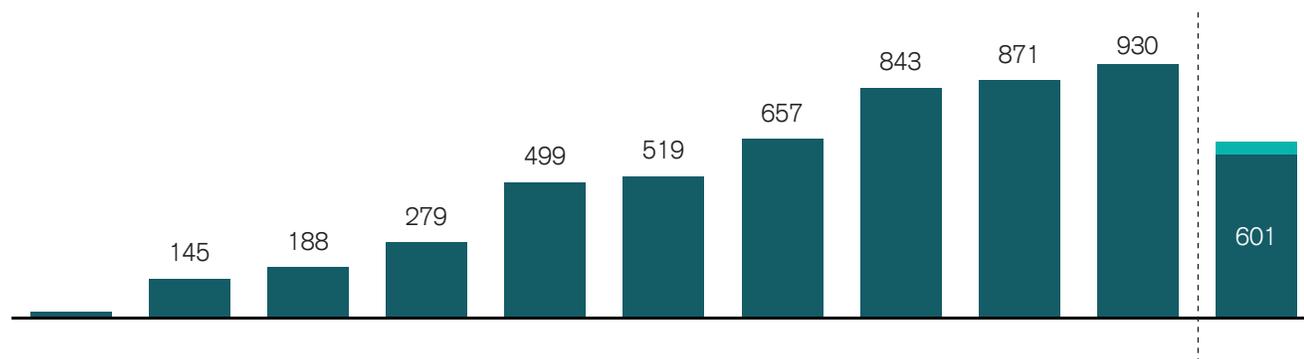
So what has changed? Activism has gone global – activists have expanded their targets beyond North America, with substantial recent increases in the number of campaigns in both Europe and Asia. Campaigns centered on M&A – whether the sale of the company, breaking-up the company or forcing divestitures, or “bumpitraging”¹ – have become one of the most popular activist tactics. There is also a growing trend toward operational activism with a longer time horizon, supported by the convergence of traditional hedge fund activism and private equity. Large institutional investors are becoming more vocal and substantially more independent as they grow their own stewardship groups and distribute firm-specific guidelines. Settlements continue to increase, with proxy contests remaining comparatively infrequent, as corporate boards often do not want to deal with distractions of a public fight. We also observe shifting views on shareholder primacy as well as the growing importance of ESG across all sectors.

Given these trends, what one defines as “activism” by “activists” has evolved considerably. The activist investor universe has grown substantially in recent years, with new activist firms, active managers, and index funds becoming much more active alongside large, well-capitalized, traditional activists. Traditional major activists such as Bill Ackman, Carl Icahn, Dan

Loeb, Nelson Peltz, and Paul Singer continue to make headlines, but they have since been joined by their own alumni and many other new activist funds, as well as active and passive managers initiating their own campaigns. As “first timers” institutional investors are also finding their voice, recognizing the significance of influence they can have on the outcomes of corporate elections. Institutional investors now may lead their own campaigns; they are no longer reliant on proxy advisory firms, and many publish their own voting guidelines. The result has been an increased engagement with companies and the waning influence of proxy advisory firms. Similarly, index funds have also demonstrated an increased willingness to publicly support activist campaigns. As permanent capital that is unable to “vote with its feet,” index funds are finding that activism may be their best method of effecting change.

Overall, activism activity remains high and persuasive, as Exhibit 1 shows. In the first half of 2019, there were 601 activist campaigns globally – more than half of which were in the United States (US). Both the total number of campaigns and aggregate capital deployed has continued to increase in recent years – driven by the growth of “first timers” and incremental capital in search of “alpha”.

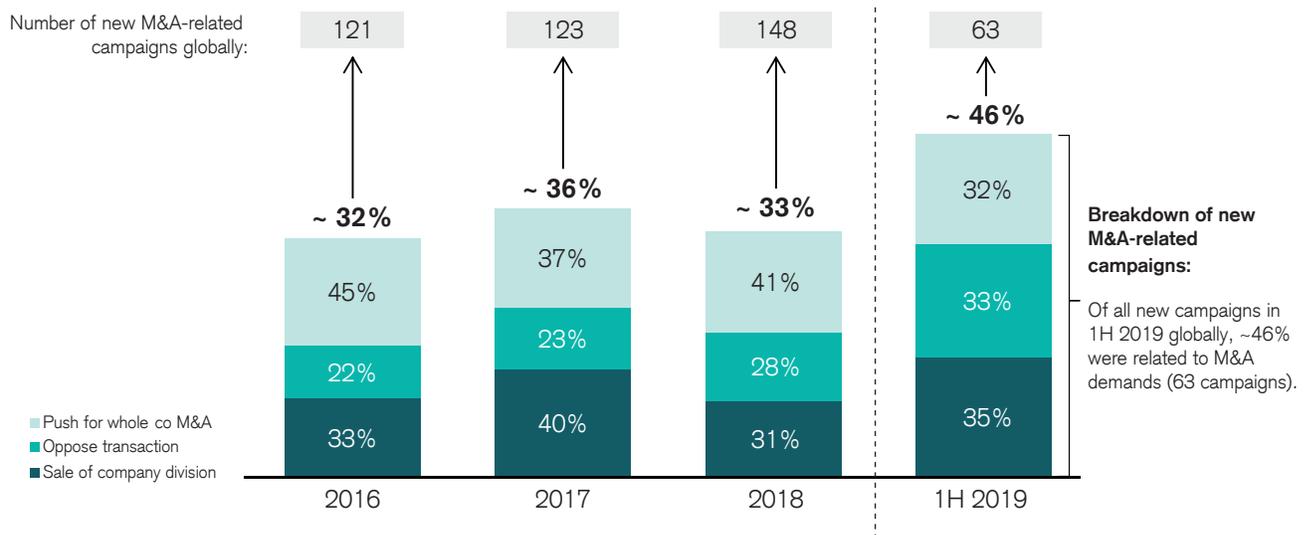
Exhibit 1: Number of activist campaigns globally^{2,3}



M&A as an activist tactic continues to grow in popularity, as it is considered to be the one strategy that has succeeded for activists. Nearly half (46%) of all new activist campaigns in the first half of 2019 had an M&A thesis. Comparatively, M&A accounted for only 29% on average for new campaigns in the prior five years (2014–2018). Currently, M&A demands are near evenly split between (i) selling the company, (ii) breaking-up the company or forcing divestitures, and (iii) deal opposition (including “bumpitraging” tactics), as Exhibit 2 demonstrates. The first two demands have long been standard fare for activists: provide value to shareholders, either by obtaining a control premium or by unlocking sum-of-the-parts value. These demands remain a favored tactic among activists, supported in recent years by

a particularly strong market for M&A. The current M&A market has also supported “bumpitraging” campaigns, in which an activist threatens to vote down a merger unless the acquirer increases its offer price. While these activists typically lack a sufficient stake to successfully block the merger, the risk of disruption to the deal often forces the acquirer to oblige by increasing its offer price. Activists have also made recent headlines by publicly opposing large transactions.

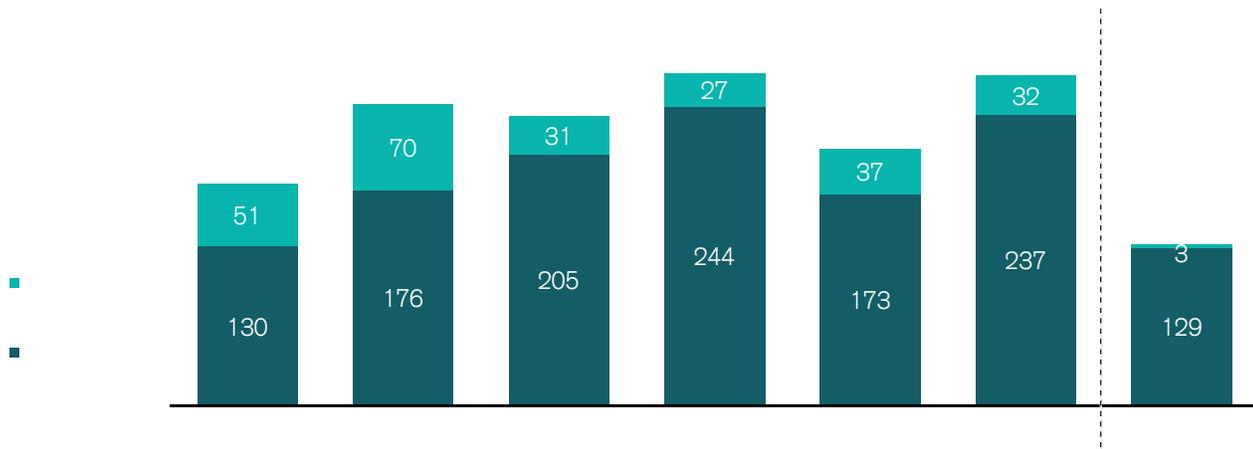
Exhibit 2: M&A-related campaigns as a % of all new campaigns^{3,4}



Activism is also driving board-level changes. Board composition continues to be reshaped by activists gaining seats; more board seats were won in both 2016 and 2018 by activists than in any other year. Boards have become less likely to fight and instead often settle – in fact, proxy fights in the US are near all-time lows. Exhibit 3 shows a breakdown of the number of board seats won through proxy contests and through settlements in the last six years. This is

indicative of a change in the view towards activists at the board level. Previously, the prevailing view was to fight off activist representation at any cost. But a full-blown proxy contest is both costly and distracting. Boards now seem to accept activist engagement, often through independent directors, in order to reach a resolution that is more cost-effective and efficient.

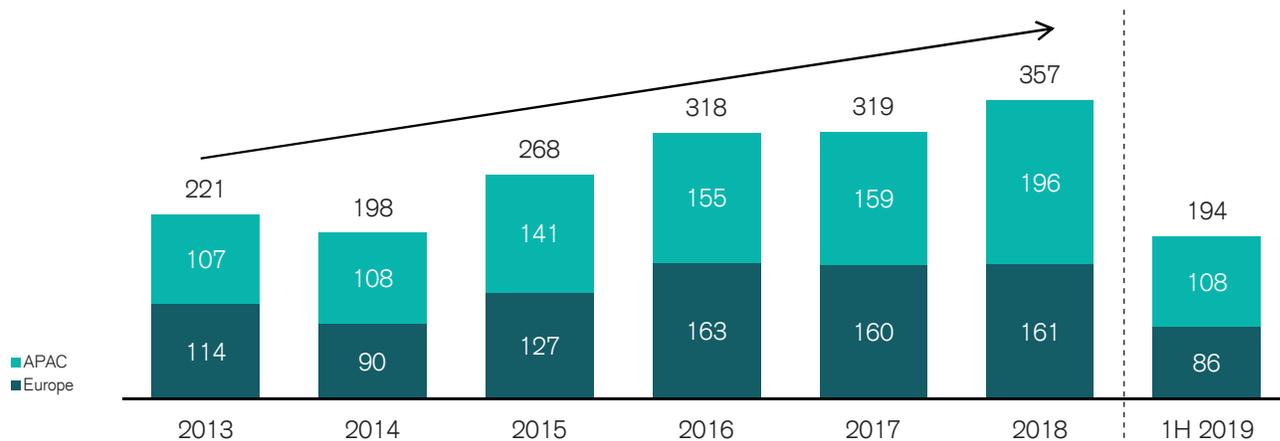
Exhibit 3: Board seats won by activists through proxy contests and settlements in the US³



Aided by shareholder-friendly governance changes, activists are accelerating international exposure as they look for new targets. Exhibit 4 shows significant campaign increases across Europe and Asia-Pacific (APAC), with activism in Asia hitting a record high in 2018, including many foreign investors successfully campaigning for board seats. The impact of activism has been acutely felt in Japan, where a record number of public companies faced shareholder proposals in 2018. This shift is largely driven by recent legislative reforms that have

encouraged increased dialogue between investors and issuers. Much of this increase in activism has been led by foreign hedge funds, and a large number of US investors, who are finding Japan to be an attractive target for future campaigns. Korea has also seen a rise in activism, with the US activist Elliott launching a proxy contest at Hyundai and the Korean activist KCGI launching its own campaign at Hanjin-KAL. Europe has also seen a spike in activism, as investors seek out value opportunities in that market.

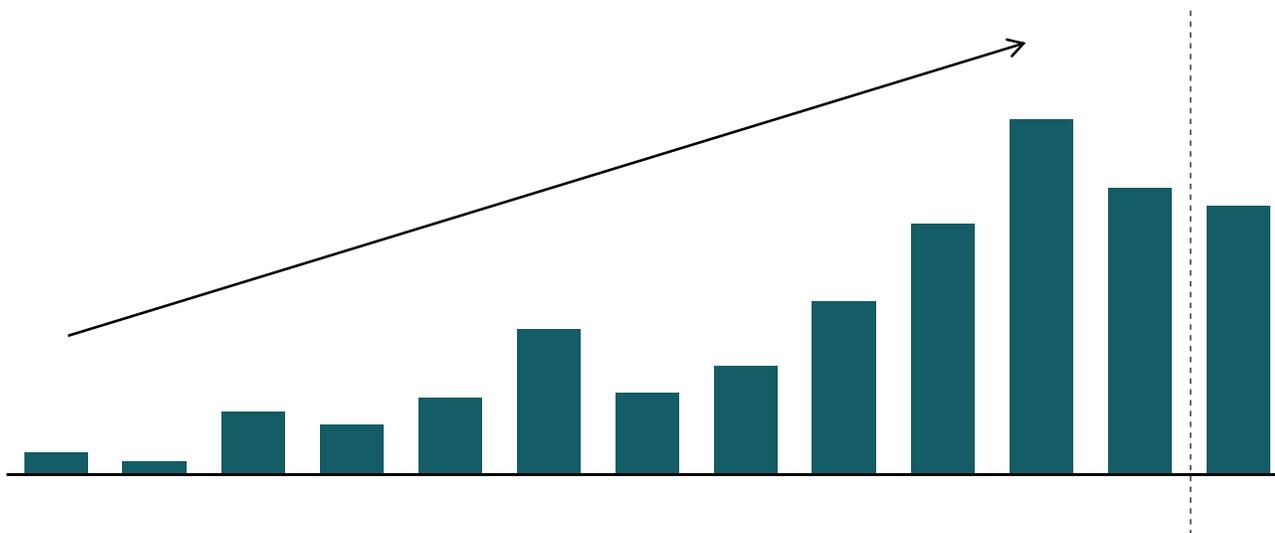
Exhibit 4: Number of activism campaigns against European and APAC companies^{3,5}



Another recent development is that ESG (Environmental, Social, and Governance) factors are emerging as key focal points for activists, and can now provide a toe-hold for standard activist tactics. The “E” and “S” of ESG have quickly become important for corporate boards, not only to advance their own concerns around environmental and social issues, but to protect themselves from ESG-inspired activists. Investors have dedicated significant resources and capital to their ESG strategies. Even large passive investors such as State Street are articulating the importance of “material issues such as climate risk, board quality, or cybersecurity in terms of how they impact financial value”.³ Both traditional activists as well as ESG-specific activists have successfully employed ESG tactics as part of campaigns to agitate at companies, often only acquiring small stakes, but still seeking standard demands, such as board seats. We have seen a significant up-tick in shareholder activism focused

on more transparent disclosure around companies’ climate-related strategies, as Exhibit 5 shows. There has also been a substantial increase in capital inflows to the ESG space since 2016, with total capital up 38% between 2017 and 2018. As institutional investors continue to develop their own ESG demands, companies with higher ESG standards will likely have access to a larger and more competitive pool of capital.⁶ The cynical view of the emergence of ESG focus is that activists use governance as their public focus only to get support for their other demands. As a recent Financial Times article put it: “After years of being criticized for seeking short-term gains only, many activists’ campaigns now include issues such as board independence, in part to win the support of traditional investors... Activists know the buzzwords and will use them to persuade the governance community to buy into the rest of the campaign”.⁷

Exhibit 5: Number of ESG-related campaigns, globally^{3,8}



So what do these themes mean for corporate decision makers today? We believe this new, expansive activist landscape requires companies to tailor their communication efforts to gain the support of key constituencies. Having sustained engagement with all shareholders, including activists, throughout the year will enable companies to proactively address potential vulnerabilities and avoid the distractions that arise from a public campaign by an activist.

The landscape has expanded... what are activists looking for today?

In our 2016 paper, *The activism agenda: What are activist investors looking for?*, we evaluated a large number of activist campaigns through 2015 to identify any commonalities on what seemed to make companies attractive to activists.

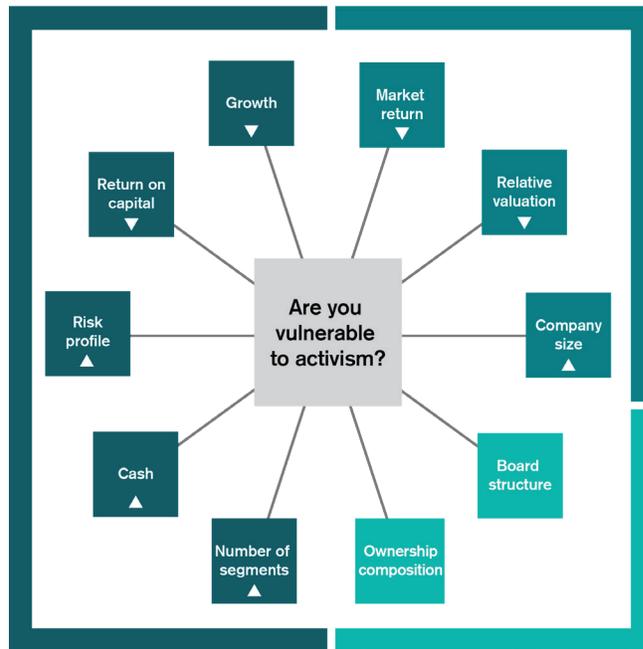
We have just described how the size, scale, and types of players in the activism arena have changed in recent years, thus it is worth revisiting what attracts activists in the current market environment. Every activist campaign is unique and assessment needs to be done on a company-specific basis, but empirically based analysis can also be useful and instructive. Our prior analysis' threshold for looking at activist campaigns was the filing of a 13D,⁹ which limited the campaigns to those where the activist stake was in excess of 5%. In more recent years, and with the growing support of traditionally passive investors, we see that activist agitation is no longer limited to 13D filings, but can involve much smaller stakes. Likewise, the demands made are more diverse. So, we have considerably broadened the database of companies who have been subject to activism. We also refined our approach to assess the likelihood that an activist investor may make a demand within the next year in the current market environment.

We evaluated over a thousand activist campaigns against public companies in the US and Europe over the last decade,¹⁰ and compared the profiles of

companies targeted by activists against a set of non-targeted companies in same markets over the same time horizon. We looked at over 50 operational and financial characteristics of these companies, and identified ten metrics that have a strong statistical significance in differentiating between targeted and non-targeted companies. This data allowed us to build a proprietary framework that can help anticipate whether, and why a company might be vulnerable to an activist's demands in the coming twelve months.¹¹

Our prior vulnerability framework identified that the factors that make a company more vulnerable to an activist fell in three broad themes: **Operations**, **Valuation**, and **Cash**. For our updated and refined approach, we similarly analyzed and quantified ten factors, which can be categorized under the following three key themes: **Operations**, **Valuation**, and **Governance and shareholder base**. Let's look at each of these three themes more closely.

Exhibit 6: Key vulnerability themes in today's activist landscape



Operations

Companies with lower top-line growth expectations, lower return on capital expectations, higher uncertainty of earnings forecasts, higher cash balances, and more reporting business segments are more vulnerable to an activist attack.

Valuation

Companies with lower last 12 months total shareholder return, relative discount valuation, and higher market capitalizations tend to be more vulnerable to activist attacks.

Governance and shareholder base

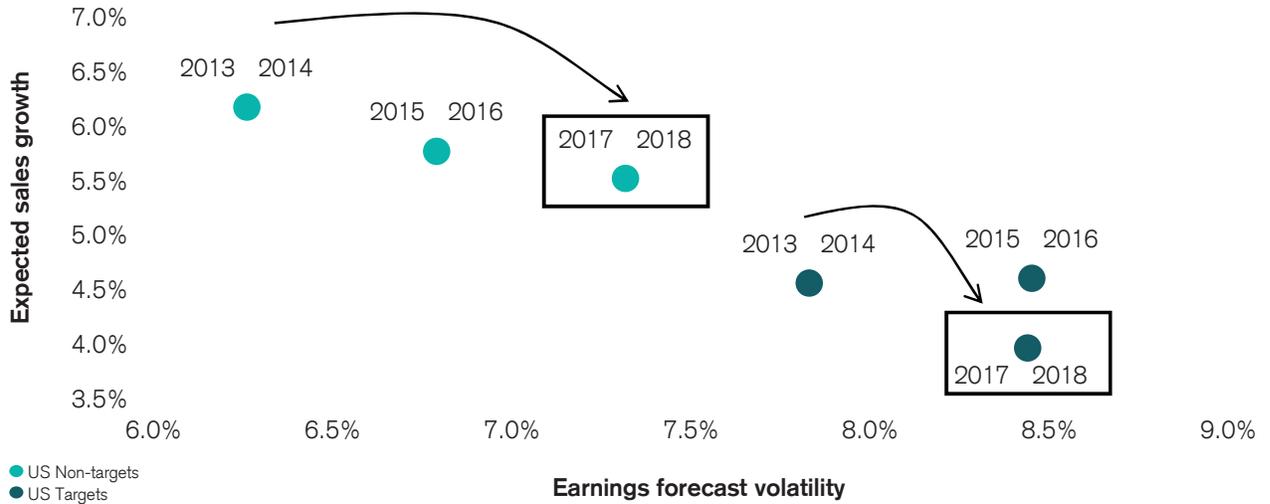
Companies that have a non-staggered board structure tend to be more vulnerable to shareholder activism. Companies with a higher level of institutional ownership are more likely to be exposed to shareholder activism.

Operations:

Low top-line growth and high earnings volatility are key operating characteristics that attract activists. Growth prospects are an important factor in assessing vulnerability to activist interest. In 2017 and 2018, US firms subjected to activism demands were projected to grow their revenues by ~160bps lower than companies that avoided activist attention. Strong top-line growth can serve as an activist shield. Moreover, the activism threat increases for companies with higher levels of volatility in earnings forecasts. This perhaps serves as the market's

proxy for the quality of growth. Targeted companies in 2017 and 2018, on average, had a ~120bps higher standard deviation of expected earnings compared to non-targets. We believe in order to reduce the likelihood of being subjected to an activism campaign in the future, corporates should communicate the business' earnings potential and growth capabilities with adequate transparency to the market. Lower growth prospects coupled with uncertainty around expected earnings seem to significantly increase the threat of activism.

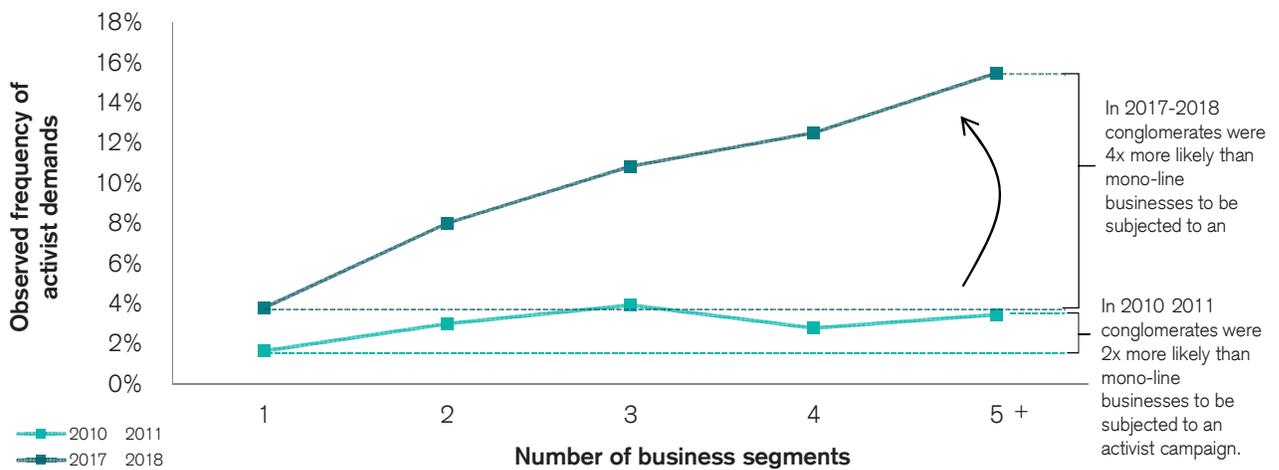
Exhibit 7: Lower growth prospects and higher earnings uncertainty increase the threat of activism¹²



In addition to low growth and volatile earnings, conglomerate structures continue to attract the interest of activist investors. Activist scrutiny of large conglomerates often revolves around the idea of forcing the exit of under-performing businesses and increasing focus on core capabilities, while realizing a multiple re-rating. In 2017 and 2018, our data

shows that activists were four times more likely to confront a corporate with five or more businesses than they were to go after mono-line companies. This rate is double the rate we saw just a few years ago.

Exhibit 8: In today's environment, conglomerates are 4x more likely to be targeted by an activist than mono-line businesses¹²



Valuation:

Another area of activist focus is, of course, valuation. The tactics employed by activist investors have been evolving in a number of areas, but stock under-performance has remained a core theme. In 2016 - 2018, the typical firm targeted by an activist underperformed the market by more than 20% in terms of total shareholder return (TSR) in the year preceding the activist campaign. Furthermore, our analysis indicates that activists' focus on under-performing stocks has gotten sharper. While in 2010 - 2012 the likelihood of an activist attack for US companies in the bottom quartile of stock performance¹³ was about 7%, it almost doubled to over 12% in 2016 - 2018. While under-performing

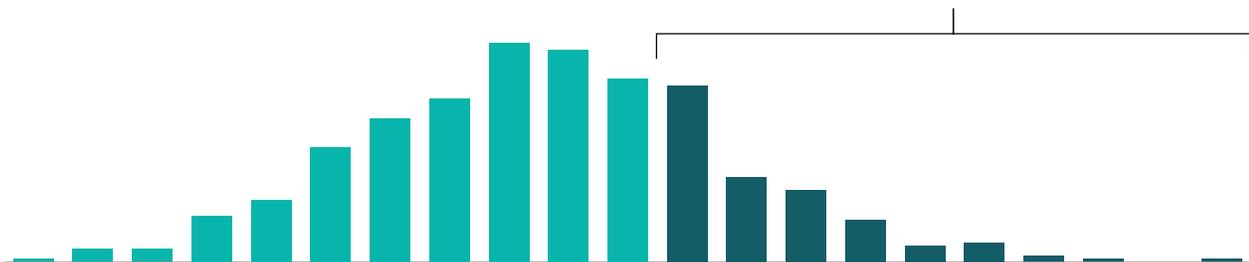
companies are the most vulnerable, having strong market value is apparently not enough to deter activists. Our analysis of shareholder return performance suggests that in today's environment even the top-performing corporates are not immune to activism, with 6% of those firms targeted between 2016 and 2018. In fact, today's top performers are almost as likely to be targeted by an activist as the weakest performers back in 2010 - 2012. Furthermore, about a quarter of all US firms subjected to an activist campaign in 2016 - 2018 have outperformed the market over the period of twelve months prior to an activist campaign.

Exhibit 9: Activists' focus on underperforming stocks has become sharper¹²



Exhibit 10: Strong market performance is not enough to escape today's activism threat¹²

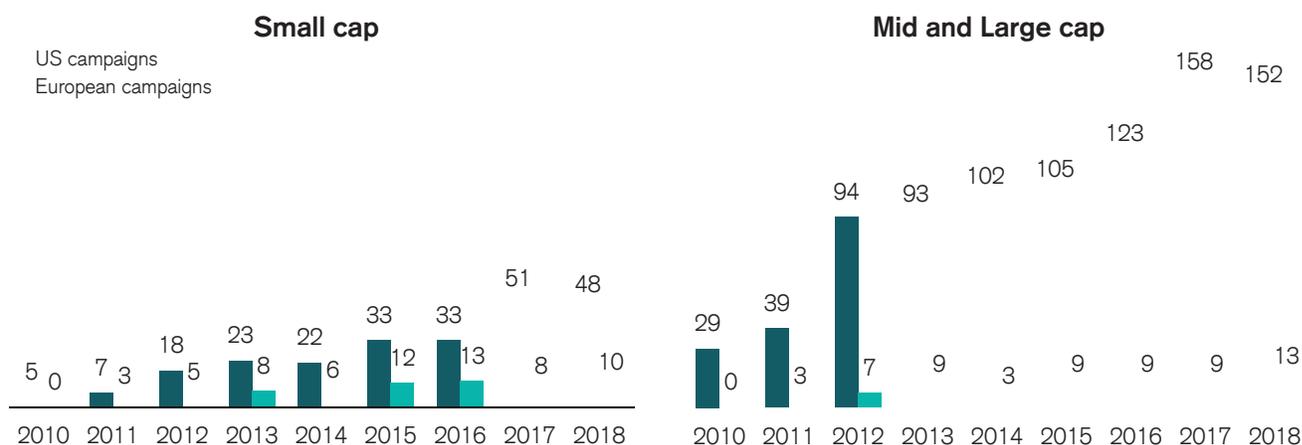
Frequency distribution of excess returns prior to activist campaigns



Our analysis also revealed that company size and complexity of a company's organizational structure also influence activism vulnerability. Over the last nine years in the US, activists have begun targeting larger firms (market capitalization greater than \$2bn), peaking in 2017 with 158 companies (Exhibit 11).¹⁴ We suspect this trend has been a result of both continuous capital flows to activist

funds along with fewer "low hanging fruit" opportunities in the smaller cap space. Public attention that surrounds large corporates can itself serve as a catalyst for change.

Exhibit 11: In the US, activists target a greater number of larger companies, while Europe has remained steady^{12,15}



Governance and shareholder base:

Lastly, a company's ownership structure also influences its vulnerability to activism. Our data suggests that a high percentage of institutional investors in a company's investor base can make a company more vulnerable to an activist attack, as institutional investors can support an activist in its proxy battles in pursuit of corporate change. While the number of activist demands has been steadily increasing year over year, activist funds typically hold a small number of shares in targeted firms (the median ownership over the last 9 years is 4.9%), thereby requiring the support of other shareholders – including institutional investors – to succeed in effecting demands, via winning proxy battles, for example. There has been continued growth of institutional ownership over the last decade. On average in the US, for companies with market cap larger than \$1bn, institutional ownership went up

from 86% in 2010 to nearly 91% by 2018, which has led to a significantly higher attention being paid to the increased influence of these investors.

The data we analyzed shows that in the last ten years, activists seem to have targeted larger and more volatile corporates with low profitability, depressed valuation and low growth potential. In addition, common targets include corporates exhibiting characteristics of agency problems, including higher cash balances. Activists evaluate companies through a variety of lenses, including operating metrics, business holdings, and board composition. Avoiding activist attention requires focusing on a diverse combination of factors, and proactively addressing the vulnerabilities that our framework shows tend to attract activists.

Do activists really increase shareholder value?

Underlying the trends we identified in the first parts of this paper is the notion that what activists propose does in fact produce a positive outcome. If not, how could they be attracting so much capital, how could they encourage ordinarily passive investors to ride their coattails or cheer them on?

Underlying all of this is the belief that activism does, in fact, generate “alpha”, driving better share price performance than those companies would have enjoyed without the interventions of the activists. It is worth asking – as a new body of academic work does – whether that is true. Do activists actually create positive share price outcomes in their campaigns?

To answer this question, we have partnered with a team in the M&A Research Centre at the Cass Business School, and examined more than three thousand activist campaigns globally in the last two decades. We focused on **excess returns over a suitable market index** – rather than absolute returns – in order to quantify **alpha** following an activist demand. We approached this topic from two perspectives:

1. Short-term performance

We looked at the short-term impact of activist engagement from two angles:

First, we looked at the level of excess return from activist entry to exit, i.e. the excess return an investor would earn by investing at the same time of the activist’s investment and exiting at the time the activist sells down (known as follower returns). *Do activists have a track record of generating the strong alpha that they so often claim?*

Second, we analyzed the performance of targeted companies in the period before and after the activist makes its demand in order to gauge the market reaction to an activist’s interference. *How does the market typically react after an activist makes a demand?*

2. Long-term performance

We examined excess returns of companies in the periods post the activist campaign, after many of the activists have moved on. *How do companies that have been subject to activist demands perform in the long term?*

Activism engagement is not homogeneous – there are various types of activist investors employing different tactics, some of which result in successful outcomes, and others which do not. To capture these nuances, we have further broken down our evaluation of alpha creation based on geography, type of demands, and campaign outcome.

Short-term performance

To assess the success of activists over their investment windows, we looked at the total excess shareholder return of targeted companies from when the activist made an investment to when they sold their position.¹⁶ Globally, results have been mixed. In North America, where the majority of campaigns occur, excess returns have been 0.5%. Europe, which

accounts for 13% of the overall campaigns, had the highest level of excess return generation of 6%. Perhaps the North American market has become highly saturated where the “low hanging fruit” has already been picked, while Europe presents more opportunities.

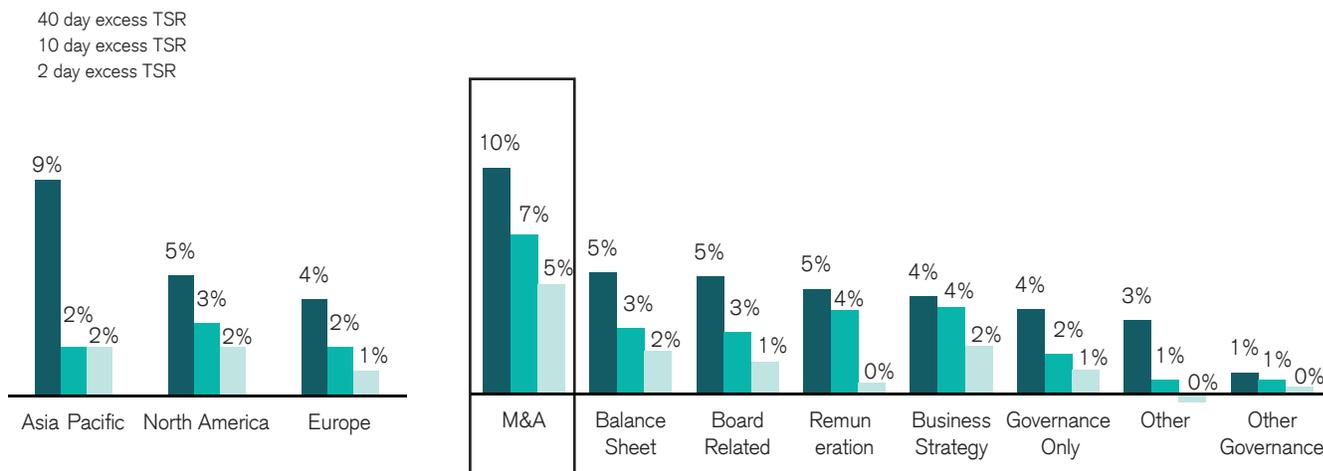
When looking at performance by the type of demand, the results become more nuanced – **activists who focused on M&A outperformed all other demand strategies**, albeit over relatively short investment horizons. The median investment period, from entry to exit, was slightly longer than one year. Activists don’t seem to be sticking around for the long term. Our data suggests that, as an

investment class, activists do have a track record of creating alpha, but primarily via M&A strategies. And over relatively short-term horizons.

Across regions, we observe that **the initial market reaction to an activist’s intervention in a stock is positive on a median basis**. Notably, companies that were targeted with M&A-related demands had the highest excess returns in the immediate period following an activist demand date.

But does the intervention of an activist produce better shareholder returns for the company over the longer term?

Exhibit 12: Short-term alpha by region and demand type^{17,18,19}



Key insight: The market has typically reacted favorably in the period immediately following the activist demand date.

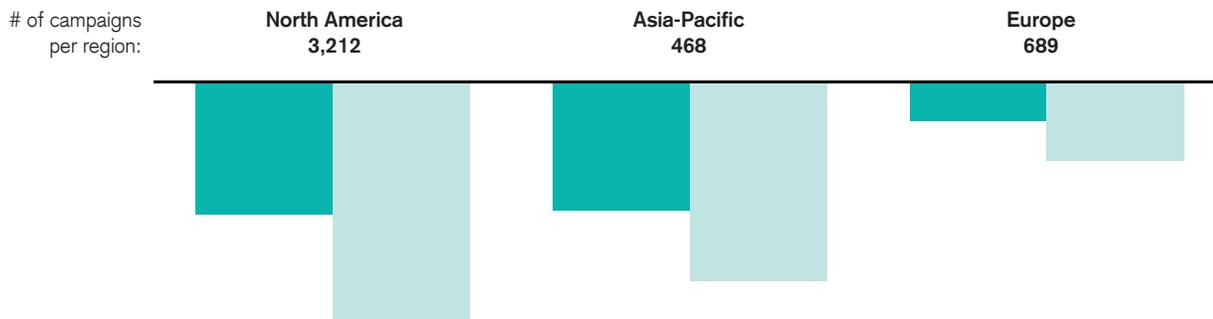
Key insight: Activist campaigns had a positive market reaction in the short term across all demand types on a median basis; M&A activism had the highest short-term excess returns.

Long-term performance

But what happens beyond that initial market reaction to a company’s performance? What about the interests of longer-term shareholders? Do activists drive long-term good for the companies they have made demands in? Exhibit 13 shows that, **across the board, companies that have been**

targeted by activists underperformed their respective market in the long term. More than half of the campaigns we evaluated have negative excess TSR over the local index over three-year time period following an activist campaign.

Exhibit 13: Long-term alpha by region^{17,20,21}

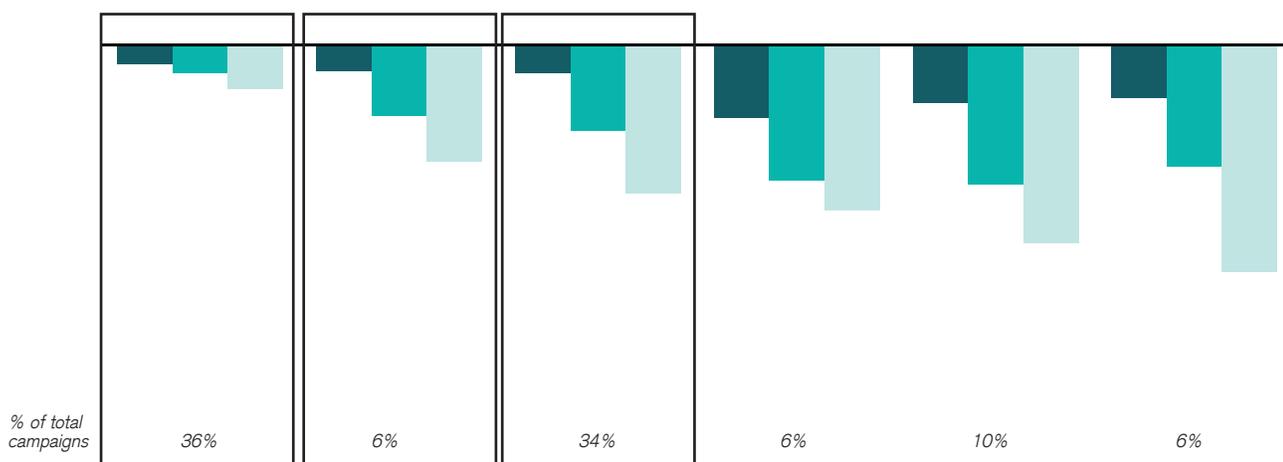


■ Key insight: In the long-term period following activist demand events, companies that were targeted underperformed the market.

Moreover, companies that gave in to activist demands appear to have performed much worse compared to those that managed to fend off an attack. Exhibit 14 shows excess median TSR relative to the local index based on the outcome of the activist campaign. Campaigns in

which the activist was *successful* or even *partially successful* in meeting their objectives resulted in worse long-term performance for companies versus those in which the activist was *unsuccessful* in meeting their objectives.

Exhibit 14: Long-term alpha by campaign outcome^{17,20,21,22}



■ Key insight: Campaigns where the activist was unsuccessful fared better than campaigns where activist demands were successfully met.

Targeted companies consistently underperform, irrespective of the type of demand made by the activist. **All activist demand types yielded negative long-term excess returns except for M&A and remuneration demands.** M&A-related demands primarily focus on the sale of the company (or a business line) or the acquisition of a company, which oftentimes includes the payment of a control premium. Remuneration demands usually relate to

aligning a company's management compensation structure more closely to the company's realized long-term performance, so it does not surprise us. While we've seen that most fund types and strategies fail to create long-term alpha for targeted companies, activists that make M&A-related demands have generated substantial alpha.

Exhibit 15: Long-term alpha by demand type^{17,20,21}

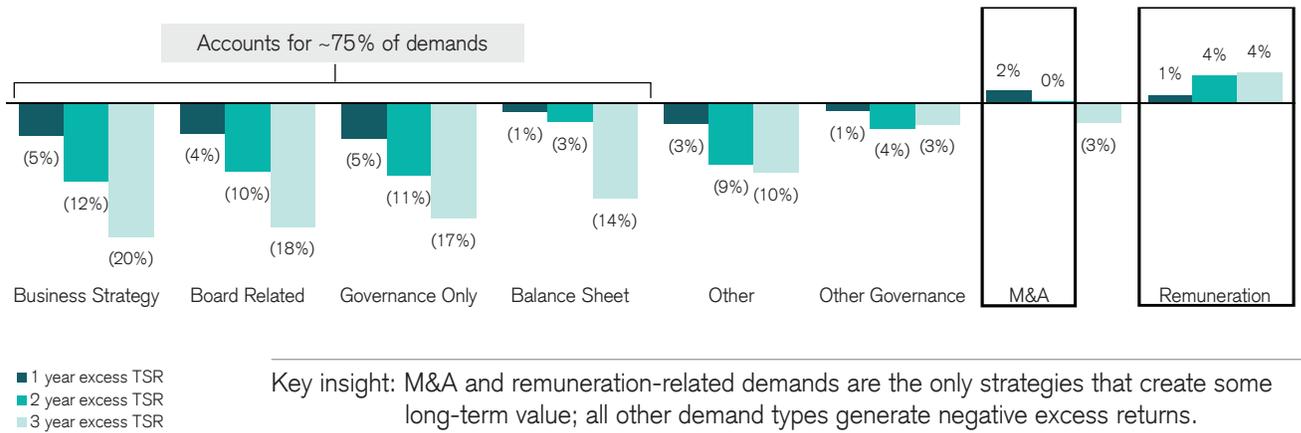
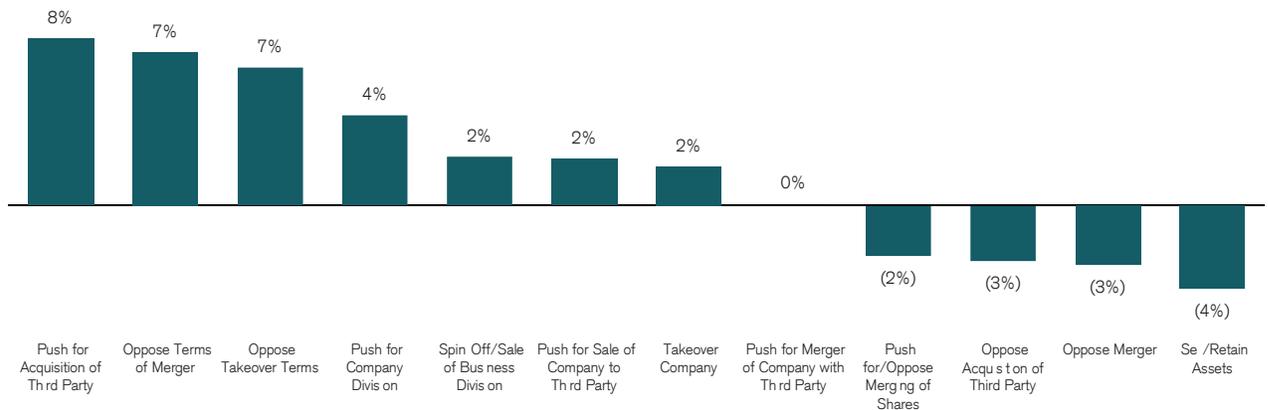


Exhibit 16: One year alpha by specific M&A demand type^{17,20,21}



Key insight: Companies targeted by activists on M&A-related activist strategies outperformed the market in the one year following the demand event.

Conclusion

The trends and themes we've explored here make it clear that activism is a new reality, not a fad. In the last several years, activism has grown as an investment strategy and is likely to remain a key issue for corporates in the coming years. The activism landscape has broadened and become more diverse and activist strategies have become more sophisticated and complex. Today, no company is immune to "active" shareholders. Activism campaigns create significant distractions, diverting management's focus, time, and resources away from strategic, value-oriented decision-making. So, what exactly can boards and management teams do to prepare?

Below are six observations we believe can help our clients manage the risk of activism in today's environment.

- **Identify your own vulnerabilities before an activist does.** Companies should become their own activists – ask the tough questions and assess the business the way an activist would. Examining the company's fundamental performance from an outsider perspective can be informative in identifying and addressing risk factors. Play devil's advocate and evaluate your business with a critical eye to address potential vulnerabilities.
- **Be prepared with a response plan that is periodically reviewed.** Maintain an up-to-date activism response plan that both the board and management agree upon. Preparing for activism should not be a check-the-box housekeeping exercise, but rather a consistent top priority item – in every market environment.
- **Getting M&A “right” is more crucial than ever.** M&A-related activism is a standout strategy that does seem to generate notable alpha. We believe companies will be held to a higher standard in deal-making going forward, with activists carefully watching from the sidelines. M&A preparedness should reflect understanding who may buy the company and at what value.
- **Implement and communicate a value creation plan that focuses on the long term.** Activism often breeds from short-termism and quick returns. We think companies should tell their equity story in a way that builds a long-term value creation narrative – before an activist does so. To avoid attracting the attention of investors with this mindset, companies should do more than just focus on quarterly earnings updates and explore alternatives on disclosure of their longer-term multi-year value creation and capital allocation strategy to investors. In order to attract long-term investors, companies should consider publishing long-term value-focused metrics. Discussing near-term results is a necessity, but those results should be put in context of your longer-term strategic objectives.
- **Pay attention to your ESG and sustainability reputation.** Boards and management should proactively consider their governance and ESG strategy to complement the overall business strategy, as this has been a recent focus in some activist campaigns.
- **Maintain strong dialogue with key investors.** Cultivating good relationships with your major shareholders is important in general, but even more so now given activists may also be speaking to them. C-suite executives also should remain informed about material changes to their investor registry – as well as any shifts in activist interest across peers and broader sector. While outside of management's control, the composition of the investor base can reflect the market's perspective on the company's strategy and performance. Paying attention to who is buying your stock – and their goals and objectives – can provide valuable intel into investor sentiment.

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Endnotes

- 1 Bumpitragage is a tactic whereby activist investors buy shares of companies that have recently agreed to be acquired and try to push for a higher price.
- 2 Calculated based on activist disclosed stake as of the announcement date. 646 represents the number of activist campaigns globally in 1H 2018.
- 3 Activist Insight, Shark Repellent, Harvard Business Review and public filings.
- 4 Indicates new campaigns that launched in each indicated year and only includes companies with market capitalization greater than \$500mm.
- 5 APAC companies include both Asian and Australian companies.
- 6 For more perspectives on ESG, please see our Corporate Insights publication titled: Making an Impact, Earning Returns on Sustainable Terms.
- 7 Ft.com. (2019). *Activists become wolves in sheep's clothing* | *Financial Times*. [on-line] Available at: <https://www.ft.com/content/bf1e6037-bbdd-3465-ab0c-d111e301624e> [Accessed 12 Sep. 2019].
- 8 All global ESG campaigns without market capitalization cutoff.
- 9 Schedule 13D is commonly referred to as a "beneficial ownership report." The term "beneficial owner" is defined under SEC rules. It includes any person who directly or indirectly shares voting power or investment power (the power to sell the security). When a person or group of persons acquires beneficial ownership of more than 5% of a voting class of a company's equity securities registered under Section 12 of the Securities Exchange Act of 1934, they are required to file a Schedule 13D with the SEC. (Depending upon the facts and circumstances, the person or group of persons may be eligible to file the more abbreviated Schedule 13G in lieu of Schedule 13D). Schedule 13D reports the acquisition and other information within ten days after the purchase. The schedule is filed with the SEC and is provided to the company that issued the securities and each exchange where the security is traded. Any material changes in the facts contained in the schedule require a prompt amendment. The schedule is often filed in connection with a tender offer.
- 10 Activist campaigns between June 2010 and June 2019 for a total of 1,104 campaigns in North America and Europe.
- 11 We determine the firm's vulnerability to an activist attack using logistic regression on annual data, spanning the period from 2010 to 2018, using mid-point of each year as the observation period to estimate vulnerability to activism in the next twelve months.
- 12 Activist Insight and Credit Suisse HOLT global database and FactSet.
- 13 Measured by last twelve months absolute total shareholder return.
- 14 As of June 2018.
- 15 Small Cap: \$250mm – \$2,000mm. Mid Cap: \$2,000mm – \$10,000mm. Large Cap: over \$10,000mm.
- 16 Defined as the returns an investor would have earned by buying a stake in the target company on the investment date of the activist investor and selling it on the corresponding exit date. Measured up to the most recent closing price or the price at the date the activist exited the position. Returns are inclusive of dividends and are compared to the respective local index.
- 17 Activist Insight, FactSet, Cass Business School (M&A Research Centre) and public filings.
- 18 Short-term returns are the cumulative returns that an investor could have generated from 2 days, 10 days, and 40 days before the demand date to 2 days, 4 days, and 10 days after.
- 19 Activism campaigns globally, 2000 – 2019 (6,568 total campaigns).
- 20 Activism campaigns globally, 2000 – 2017 (4,438 total campaigns).
- 21 1 year excess TSR represents median excess TSR from month -1 to +12 relative to local index. 2 year excess TSR represents median excess TSR from month -1 to +24 relative to local index. 3 year excess TSR represents median excess TSR from month -1 to +36 relative to local index.
- 22 Definitions of campaign outcomes:
 - Successful: The company has fully satisfied the demand. For example, the activist demanded and received three board seats.
 - Partially successful: The activist has been somewhat successful in achieving its objective.
 - Compromise/settlement: The activist has at least partially achieved its objective through a settlement with the company.
 - Unsuccessful: The activist did not achieve its demands.
 - Withdrawn demands: The activist is no longer going to pursue its demands.
 - Unresolved: Instances where the target company was delisted as a result of bankruptcy or an M&A transaction before the activist's demands could be addressed.
 - Ongoing: The campaign is still ongoing and the demands have not been achieved or denied yet.
 - Unresolved campaigns are excluded.

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