



Shareholder activism defense

Enhancing value, mitigating
vulnerabilities and preparing for
activist investors

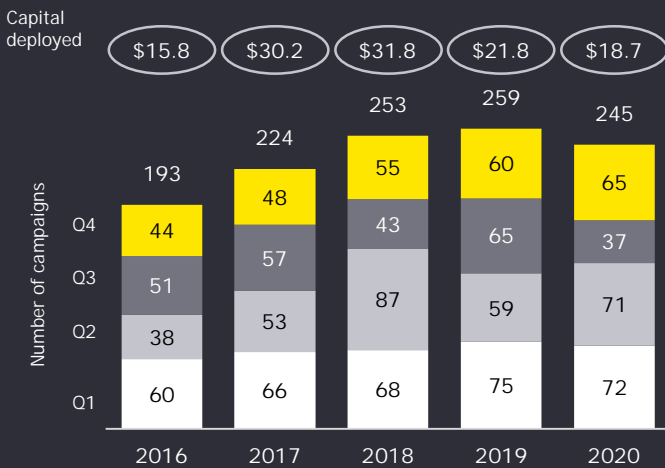
Is your company vulnerable to an activist attack and are you ready to respond?

Shareholder activism has become part of the new normal and can be highly disruptive to an organization. EY teams help companies bolster their activism readiness by designing and advising on the implementation of defense programs that proactively address shareholder concerns and preempt challenges. And if an activist surfaces, we guide our clients throughout the campaign as they seek to achieve the best outcome for their company, the board and its shareholders.

Shareholder activism has become a force to be reckoned with and will continue to remain an important topic in the boardroom.

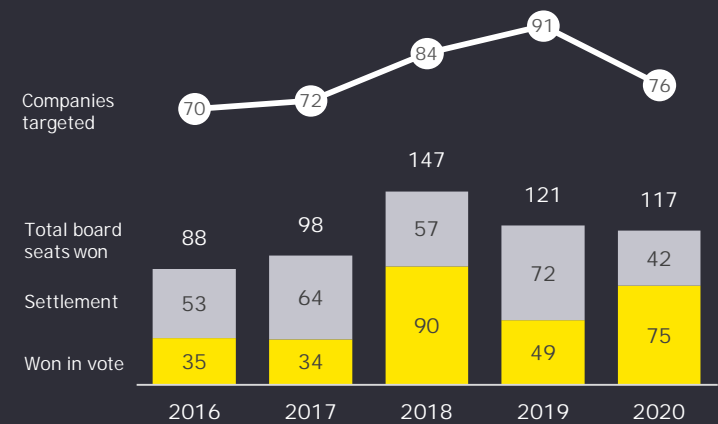
Activists continue to invest heavily¹

Campaigns launched and capital deployed (\$b)



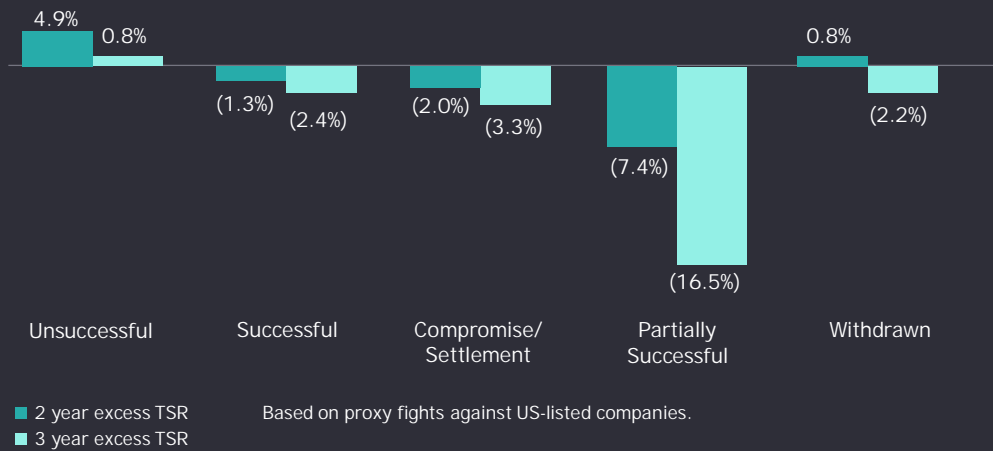
Activists have been successful in gaining board representation²

Companies targeted for board representation and board seats won by activist



Activists often fail to deliver promised returns³

Average excess return generated by campaign outcome (% , 2010-2018)



Key themes

- Activism remains prevalent despite a pullback in 2020 due to COVID-19
- Large amounts of dry powder are waiting to be deployed, increasing the activist threat in 2021
- Activists remain highly successful in achieving their objectives, but their returns lag the market

Note: All charts on this page are based on campaigns against companies with market capitalization >US\$500 million at time of announcement.

¹ Source: FactSet and 13D Monitor. Only includes high impact campaigns with market moving objectives (as defined by FactSet).

² Source: FactSet

³ Source: FactSet. Based on proxy fights against US-listed companies announced from 1 January 2010 through 15 March 2018. Excess return relative to S&P 500.

How we can help

Ernst & Young LLP (EY US) provides strategic and tactical advice to public companies before and during activist campaigns to help preempt shareholder challenges and secure their objectives.

	1 Proactive preparedness by companies	2 Activist response
Overview	Proactively addressing vulnerabilities and preparing for activist investors	Responding to and defending the company against activists during a live campaign
Company objectives	<ul style="list-style-type: none"> Identify risks and anticipate potential challenges Mitigate vulnerabilities and execute initiatives to unlock value Understand objectives and perspectives of major shareholders Assemble response team and develop emergency plan in the event an activist shows up 	<ul style="list-style-type: none"> Establish framework for communications and interactions between the company, activist and media Engage with shareholders and key constituencies to keep them onside Evaluate the threat and decide on the best course of action Navigate the situation while minimizing disruption to the company's long-term strategy and day-to-day operations
Key considerations	<ul style="list-style-type: none"> What structural protections does your company have and how effective are they? How does your company engage with its stakeholders? Which areas of your company are an activist likely to attack? What are the responsibilities of various constituencies? 	<ul style="list-style-type: none"> What actions should your company take when approached by an activist? How does your company maintain control of the situation and narrative? How does your company constructively respond to an activist demand? How can your company garner the necessary support to meet its objectives?
EY illustrative work streams	<ul style="list-style-type: none"> Education sessions and market updates Shareholder base analysis Corporate governance review Board composition assessment Vulnerability assessment Benchmarking analysis Strategic alternatives analysis Attack simulation/scenario analysis Shareholder engagement review Outside-in valuation/financial analysis 	<ul style="list-style-type: none"> Review of activist profile, history, strategy, reputation, track record, style and tactics Evaluation of activist claims, strength of thesis and likely outcomes Day-to-day coordination between activist, company/board and other advisors Preparation of responses to activist demands with supporting analyses Assist management with the drafting of investor communications



EY US collaborates closely with other activism defense advisors

Legal advisors

Proxy solicitors

Communications firms

EY US



Independence

- ▶ Globally recognized brand known for objectivity, trust and credibility
- ▶ Relationships focused on long-term value, not solely mergers, acquisitions or capital markets transactions
- ▶ High-quality advice unencumbered by conflicts or other distractions



Scale, depth and breadth

- ▶ Network of 290,000+ professionals aligned to specific industries and dedicated practice areas offer rich sector experience combined with deep functional knowledge and skills – from strategy to execution
- ▶ Multidisciplinary approach that applies strategic, financial, operational and governance lenses to deliver holistic solutions that go beyond the standard activism defense playbook








Proven activist experience

- ▶ In-depth understanding of activists, their tactics and market dynamics – brings better analysis, faster insights and stronger execution to your preparedness and defense strategy
- ▶ Distinguished leadership team with more than two decades of experience advising on some of the most high-profile campaigns in history

How do we go beyond traditional financial advisors?

EY US is an end-to-end provider that can quickly and seamlessly address vulnerabilities – from identification through implementation – to better defend clients against activist threats

	 Strategy	 Buy and integrate Sell and separate	 Corporate finance	 Reshaping results	 Governance
EY differentiator	EY-Parthenon, in-house strategy consultancy	End-to-end operational and transaction support related to acquisitions and divestitures	Deep financial and capital markets experience to enable better decision-making	Advice and execution of operational improvements to enhance value	Thought leadership around corporate governance and shareholder engagement
EY dedicated practice areas	<ul style="list-style-type: none"> • Corporate and business unit strategy • Purpose-led strategy and long-term value • Business model reinvention • Portfolio strategy • New market entry opportunities • Digital strategy and innovation • Go-to-market strategy • Strategic cost evaluation • Pricing strategy • Customer segmentation • Sales and marketing effectiveness 	<ul style="list-style-type: none"> • M&A advisory • Commercial, cyber, financial, IT, operational, HR and tax due diligence • Portfolio strategy, value creation, and management • Synergy assessments, presale diligence and transaction analytics • Equity story development • Operational separation planning • Tax structuring • Preparation of deal basis and financial statements • Readiness assessment and day-one planning 	<ul style="list-style-type: none"> • Forecasting • Scenario planning • Valuation • Strategic alternatives analysis • Capital allocation and portfolio enhancement review • Debt and equity capital advisory • Real estate and tangible asset value creation • Strategic resource allocation • Treasury solutions • Fairness opinions • Infrastructure advisory • Project financing • Economic advisory • Financial and business modeling 	<ul style="list-style-type: none"> • Contingency planning and insolvency solutions • Corporate structure simplification • Liquidity and working capital improvement • Creditor advisory • Debt restructuring and capital raising • Chief restructuring officer • Distressed corporate and supplier advisory • Formal insolvency/bankruptcy • Legal entity rationalization • Turnaround operational restructuring and rapid performance improvement • Working capital advisory services 	<ul style="list-style-type: none"> • Shareholder activism defense • EY Center for Board Matters • Nonfinancial reporting advisory • Sustainability advisory • Outcomes measurement • Climate change • Environment, health and safety • Stakeholder communications

Contact



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