

## Landmark Study From FTI Consulting and Activist Insight Finds Activist Investors Broadening Tactics and Geography

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### Survey of Leading Activist Investors Shows M&A Activism, Over All Other Types, Will Have Largest Increase in 2014 as Activists Look Beyond North America for Targets

LONDON, April 22, 2014 /PRNewswire/ -- FTI Consulting, Inc. (NYSE: FCN), the global business advisory firm dedicated to helping organisations protect and enhance their enterprise value, released initial findings from its survey, [The Shareholder Activists' View](#), which reveals that merger and acquisition ("M&A") activism is on the rise. The [Strategic Communications](#) segment at FTI Consulting conducted the study in partnership with [Activist Insight](#), a global information source on activist investment. In-depth interviews were held among leading economic activist investors that have collectively engaged in more than 500 activist situations, with the primary goal of increased returns, to gauge their views on renewed areas of focus for shareholder activism in 2014.



The shareholder activism landscape has changed dramatically over the last several years. According to data compiled by Hedge Fund Research, activist hedge funds managed over \$93 billion dollars in 2013, almost triple the amount managed just five years ago, and an increase of 42 percent from an estimated \$65 billion in 2012. This increase in investment has been fueled by returns of 16.6 percent in 2013, which far outpaced the average hedge fund, returning 9.3 percent. Further, the investors in these activist funds now include an increasing number of large pension funds and institutions – the same pension funds and institutions that have been increasingly supportive of activists with their votes.

The increased returns and inflows of monies clearly show that activist funds as an asset class are not only here to stay, but are increasing their influence on M&A transactions. As these funds grow larger, they are able to target larger companies, doubling the amount of companies targeted with market caps greater than \$2 billion in 2013. Using balance sheet and operational strategies, activists have not been deterred from engaging with well-known Fortune 100 and 500 companies.

In conducting this survey, FTI Consulting interviewed economic activists – activists whose primary goals are increased returns – what their thoughts were concerning the landscape for activism in 2014 and where they expect there to be increased or decreased activity in the market.

#### *M&A activism is a key theme*

The results from the survey show that the overwhelming majority (89 percent) of activists believe that 2014 will see an overall increase in M&A activism. According to Dealogic, Global M&A volume reached \$804.5 billion in the first quarter of 2014 compared to \$655.8 billion in the first quarter of 2013, up 23 percent year-over-year, marking the highest first quarter volume since 2008. This emerging asset class could present significant challenges for the successful conclusion of transactions by employing investment strategies that target not just the target company, but also the acquirer.

"Especially interesting is the activists' willingness to engage on the acquirer side of a transaction. An acquirer will often use more aggressive balance

sheet structures to execute M&A. An M&A activist may well look at this structure and the risk profile of the transaction and decide that they like the Board's more aggressive balance sheet approach, but would like the cash returned rather than used for M&A. This type of activism will put more deals in jeopardy," commented [Steven Balet](#), Managing Director and activism specialist in the Strategic Communications segment at FTI Consulting.

"While nearly three-quarters (73 percent) of activists polled say they would take a traditional route, investing in a target and then apply pressure to increase the offer price during transactions, a surprising 43 percent of activists interviewed stated they would look for opportunities to discourage the transaction and instead push the acquirer to unlock value through share buybacks, dividends and divestitures, rather than go through with the transaction," Mr. Balet added.

*Europe (more specifically the UK) is becoming a greater focus for U.S. activists*

"Although the survey demonstrates that a significant amount of activists (87 percent) see no shortage of targets in North America, 40 percent of activists are shifting their focus to Europe and elsewhere," said [Edward Bridges](#), Senior Managing Director in the Strategic Communications segment and Head of the special situations team in the UK. "This shift corresponds to the increasing level of activist engagements the market has seen internationally particularly in the UK, where almost 50 percent of European activism takes place where corporate governance and legal frameworks are most activist-friendly. Hence, we have seen a sharp increase in corporate focus on activism defense planning, particularly as there has been real evidence of long-only institutions becoming more activist in their own right as well as implicitly and explicitly supporting activists' positions."

The survey also revealed that with respect to strategy, originating an activist position was not the sole basis for investment in a target company, as 69 percent of those surveyed support other activists by investing in previously commenced activist situations. In turn, upon public announcement of a campaign, an activist can normally count on a significant percentage of "follow on" shares being purchased therefore increasing their bargaining position, in effect, creating a larger voting bloc than is readily apparent from the activists' own share ownership filings.

*Activism makes for great media copy and the impact of social media is proven*

Media also continues to play an important role in activist engagements, with 88 percent of activists interviewed stating the media has positively impacted activism.

"Activism has gone mainstream and the media has become very supportive of activists who have become increasingly sophisticated in their engagements and in use of the media," stated Mr. Bridges.

While only one-quarter of those polled already use Twitter and other social media platforms when engaging in activist campaigns, the survey found that 69 percent expect an increase in use of social media in 2014.

Mr. Balet added, "When Icahn took an activist stake in Apple, he announced it via Twitter. The impact was immediate and moved the markets – it was a lesson that everyone in the activist community noted and one that is likely to be emulated. When considering pre-emptive activist defence planning, companies need to understand what social media strategies are available both in defence and offence."

The full survey findings from FTI Consulting will be released in May 2014. An infographic of the report, along with other insights on shareholder engagement and activism, can be accessed here: <http://fticonsulting.com/activism>.

## **Research Methodology**

The Strategic Communications segment at FTI Consulting conducted in-depth interviews among economic activist investors – activists whose primary goals are increased returns – between March 1, 2014 and March 19, 2014. The survey sample consisted of activist funds that have been engaged in more than 500 activist situations since 2000.

## **About Activist Insight**

Activist Insight ([www.activistsinsight.com](http://www.activistsinsight.com)) provides the most comprehensive global information source on activist investment. This includes live alerts on activist investments, over 200 detailed activist investor profiles, unique stats on activist campaigns and proxy battles, and much more. A free trial of the database and a monthly newsletter subscription is available on request.

## **About FTI Consulting**

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. With more than 4,200 employees located in 26 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management, strategic communications and restructuring. The Company generated \$1.65 billion in revenues during fiscal year 2013. More information can be found at [www.fticonsulting.com](http://www.fticonsulting.com).

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