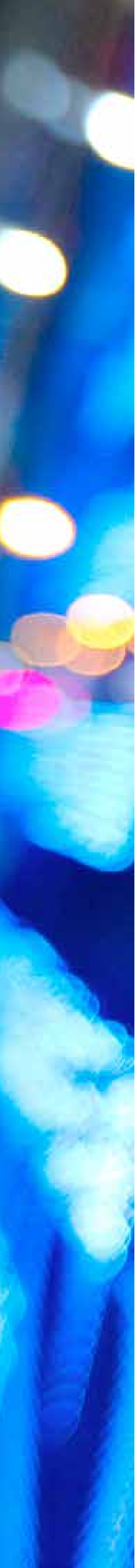
2015 SHAREHOLDER ACTIVIST LANDSCAPE
An Institutional Investor Perspective

Strategic Communications
FTI Consulting



SUMMARY

What explains the seemingly sudden prominence and success of activist investing?

Activist investing is not a new phenomenon. In fact, some of today's most prominent activists – including Elliot Management, Jana Partners, Starboard Value, Pershing Square Capital Management, Third Point Management, and Carl Icahn – have been aggressively pushing for capital, managerial and operational changes in companies since at least the 1990s.

The answer very well may be the growing support of institutional investors for activist campaigns.

FTI Consulting surveyed over 100 institution investors representing almost $1.7 trillion in assets under management and asked them a series of questions relating to how they view activism. The results show that institutional investors view activists in a positive manner and are increasingly supportive of the nomination of independent directors for board seats by activists.

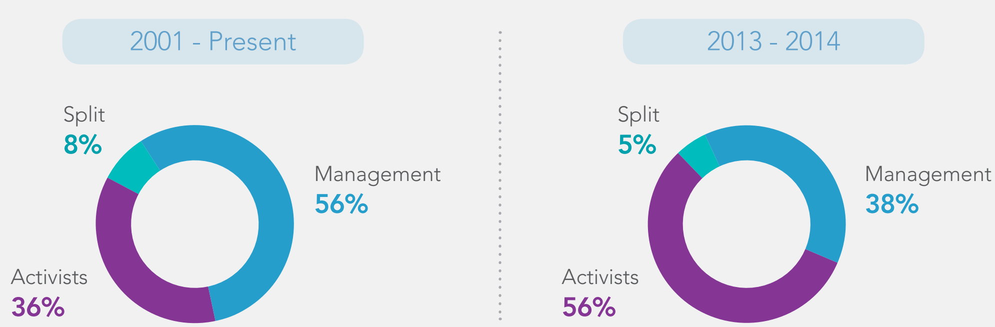
Many institutional investors subscribe to proxy advisory services such as Institutional Shareholders Services ("ISS") and Glass Lewis ("GL"). Even so, institutional investors are increasingly conducting their own proxy research as well, using their own designated corporate governance personnel or establishing proxy voting committees that have ultimate decision making authority for proxy voting. Portfolio managers and analysts may have a voice in the decision, but their recommendations do not necessarily carry the weight they once did.

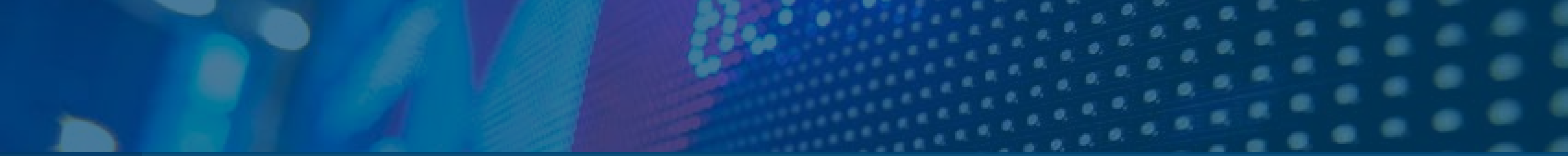
Notwithstanding these voting dynamics, institutional investors have become increasingly "active" in their engagement of portfolio companies and through their approach to proxy voting decisions, are becoming more supportive of activists.

If we look at voting statistics compiled by FactSet since 2001, we note that in campaigns for board seats that went all the way to a vote, 222 were won by management, 143 were won by activists and 31 were split. However, in the last two years, those numbers have changed dramatically as only 21 contests for board seats have been won by management, while 31 have been won by activists, and 3 have split. Outside of 2009 (where activists won one more contest than management), the last two years are the only years where activists won more contests for board seats than they lost.

As a consequence, many companies in proxy contests are being surprised not only by the voting decisions of institutions with which they thought they had a great relationship, but also by the process through which those decisions were reached.

Changing trend in campaigns for board seats





VIEW OF ACTIVISM

Favorability of activism

We asked the institutional investors surveyed how they viewed the growth of shareholder activism over the last few years. The results are resoundingly favorable.

Favorable	Neutral	Unfavorable
76%	13%	10%

Value impact of activism

Furthermore, the majority of institutional investors believe activism adds value to a target company.

Adds Value	No Impact	Reduced Value
84%	9%	7%

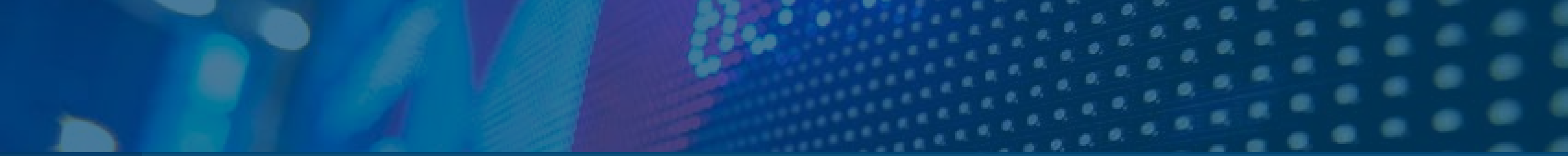
Breaking down this response, institutional investors indicate that there are three ways that they see shareholder activism proving most beneficial to target companies.

How shareholder activism positively impacts shareholder value

It provides a catalyst for change	It helps align the interests of the Board and management with shareholders	It forces companies and Boards to sharpen their strategic focus
27%	21%	17%

It should be noted, however, that only 13% of those surveyed feel that forcing an event such as a sale, separation of assets, or return of cash is a top benefit of shareholder activism.

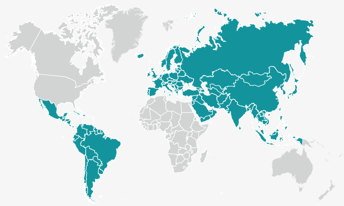
When asked what potential effects of shareholder activism might be negative, 61% of institutional investors responded that activism's presence inhibits companies from taking a long-term approach to decision-making and that it may produce short term gains at the expense of value for long-term shareholders. Although many companies cite "distraction" as a negative effect of shareholder activism, only 16% of investors agree.



NEW ACTIVIST TARGETS

Institutional investors overwhelmingly support an increase in 'US style' shareholder activism overseas

Our survey shows that institutional investors welcome more "US style" activism, or more public and aggressive engagement, in jurisdictions where it is not currently prevalent.



76%

believe that companies in Europe, Asia and/or Latin America would benefit from an increase in shareholder activism similar to what has occurred in North America.

Although there has been a significant increase in activism overseas, many institutional shareholders have an appetite for much more.

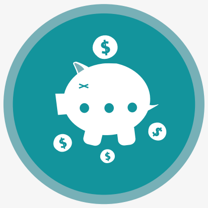
Institutional investors surveyed rank the top 3 reasons a company may be targeted for activism as poor stock price performance, ineffective or inefficient capital deployment, and poor corporate governance

Characteristics that contribute to a company being a target of shareholder activism

Poor stock price performance

36%

Ineffective or inefficient capital deployment



27%

Poor corporate governance

18%

Although stock performance ranks the number one potential target attribute, companies with good stock performance can be viewed by institutional investors as acceptable targets for activists. In fact, 53% surveyed stated that even companies that outperformed the market could benefit from shareholder activism.

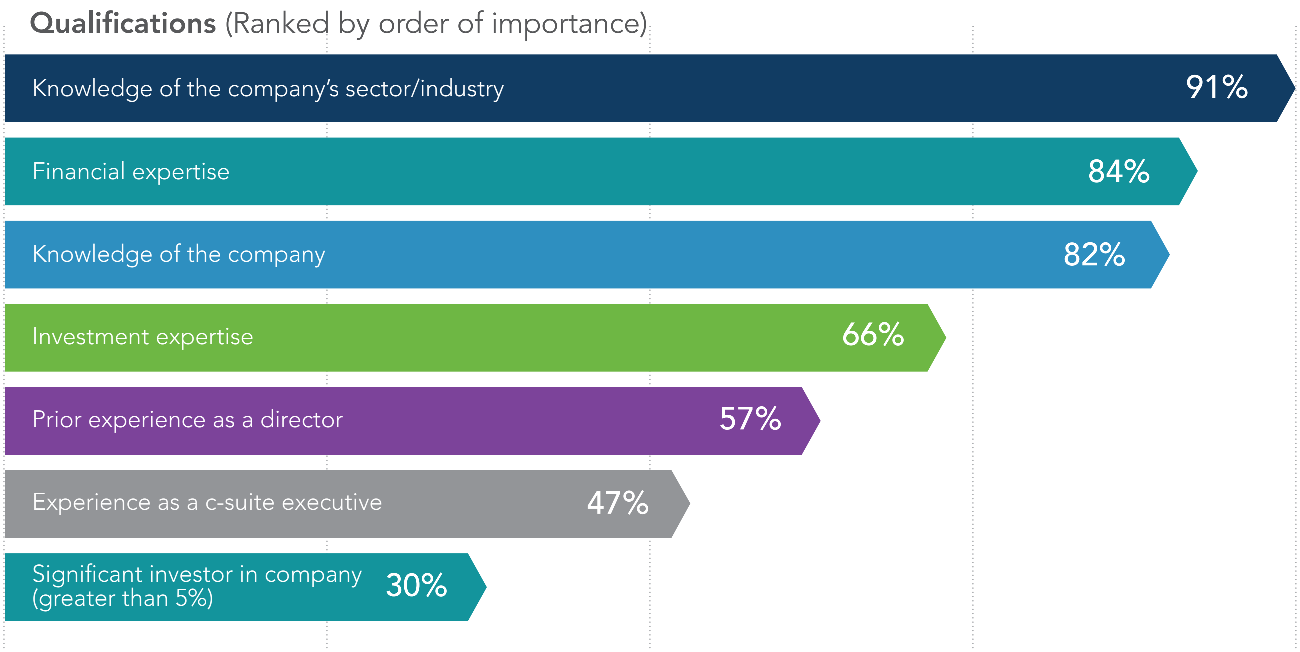
INDEPENDENT DIRECTOR NOMINEES

Many shareholder activists, in furtherance of their stated agenda, nominate independent directors to serve on the boards of the companies they target. One fairly consistent attribute of company defenses in these situations is to challenge the need for and the qualifications of these dissident director nominees.

Our survey indicates that this approach to defense may need to be reassessed going forward as 77% of the institutional investors surveyed stated that they believed companies benefit from shareholder nominated independent directors, while only 8% perceived no benefit.

As to director qualifications, institutional investors overwhelmingly ranked knowledge of the company's sector or industry (91%), financial expertise (84%), and knowledge of the company (82%) as the most important qualifications for any new independent director. Lower in the rankings were experience as a c-suite executive (47%) and prior experience as a director (57%). As a caution to activist investors who argue that significant share ownership is an important qualification for board representation, only 30% of institutional investors thought significant ownership is an important attribute for an independent director nominee.

Qualifications for shareholder-nominated independent directors



CONCLUSION

Companies have made great strides in the area of shareholder engagement around proxy issues. However, this survey indicates that companies may need to consider revising their approach to the quality of this engagement. Institutional investors may be generally supportive of activism, but not necessarily for the reasons that the activist and the public assume. Institutional investors rank the need for change and a focus on the alignment of management and shareholder concerns far above typical activist event-driven campaigns such as company or assets sales, special dividends, and share buybacks. This type of institutional support may be the reason that activists are far likelier to campaign for minority slates of directors with success than for control.

Companies need to recognize that when institutional investors support activist campaigns, they are primarily supporting campaigns for "change" rather than the specifics of that change. Companies should not mistake support for change as agreement with the specific demands of the activist. Clear communication with investors that focuses on company initiated change and securing of long-term value generation can be highly effective in immunizing a shareholder base from activist agendas, as well as defeating an activist campaign should one develop.

Many have questioned whether the current trend in shareholder activism can continue. The institutional investors that we surveyed seemed to suggest that it will. Over half that we surveyed indicated that at least 15% of their current portfolio companies, both US and overseas, could benefit from shareholder activism. Considering that activists have been publicly and privately targeting hundreds of companies a year for the past several years, this 15% indicates that institutional investors believe there are still many more companies that will face a shareholder activist in the near future.

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AMERICAS

Steven C. Balet
Head of Corporate Governance and Activist Defense
Strategic Communications
+1 (212) 850.5735
steven.balet@fticonsulting.com

Bryan Armstrong
Head of Capital Markets Communications
Strategic Communications
+1 (312) 553.6707
bryan.armstrong@fticonsulting.com

Geoff Serednesky
Director
Strategic Communications
+1 (312) 861.4721
geoff.serednesky@fticonsulting.com

ASIA PACIFIC

Cara O'Brien
Senior Managing Director
Strategic Communications
+852 3768 4537
cara.obrien@fticonsulting.com

Paul Downie
Senior Managing Director
+61 2 8298 6109
paul.downie@fticonsulting.com

EMEA

Charles Palmer
Senior Managing Director
Strategic Communications
+44 (0)20 3727 1400
charles.palmer@fticonsulting.com

Edward Bridges
Senior Managing Director
Strategic Communications
+44 (0)20 3727 1067
edward.bridges@FTIConsulting.com

Michael Reinert
Senior Managing Director
Strategic Communications
+49 (0)69 920 37 10
michael.reinert@fticonsulting.com

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