

Shareholder Activism Report sample

This report is an examination of the experiences of and views toward shareholder activism of three key stakeholders: IROs, the buy-side community and sell-side analysts.

Introduction



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Recent years have seen a rise in shareholder activist campaigns, particularly in Europe and Asia. The growth in attention to ESG and sustainability issues has broadened the scope of potential campaigns. IR professionals across the globe now require a comprehensive understanding of shareholder activism, the nature of activist campaigns and how to react to them.

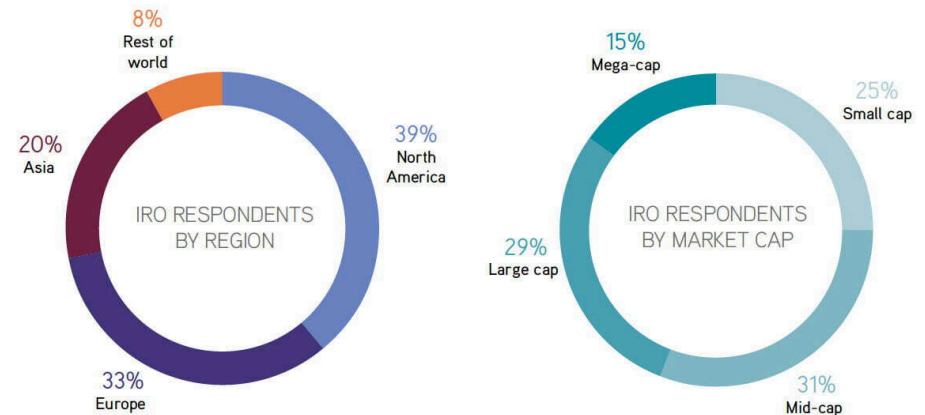
In this report we examine the experiences of and views toward shareholder activism of three key stakeholders: IROs, the buy-side community and sell-side analysts. Understanding of the IRO perspective is taken from the IR Magazine Global IR Survey 2019, conducted in Q2 2019. Views from the buy side and sell side are from our Global Investor Survey 2019, with fieldwork conducted in Q4.

Many of the findings in this report are broken down regionally, the three key regions being North America, Europe and Asia. Data in the IRO view section of this report is also broken down by market cap.

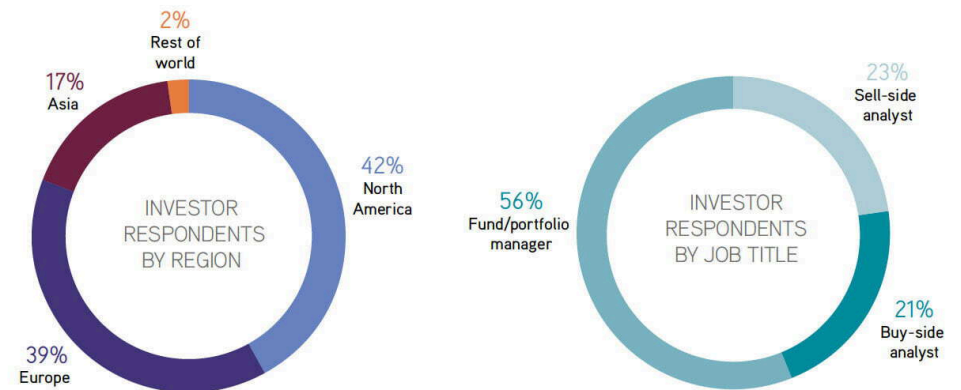
For the purposes of this report, market cap sizes are defined as follows:

SMALL CAP – LESS THAN \$1 BN
MID-CAP – \$1 BN-\$5 BN
LARGE CAP – \$5 BN-\$30 BN
MEGA-CAP – MORE THAN \$30 BN.

IRO respondents: 342



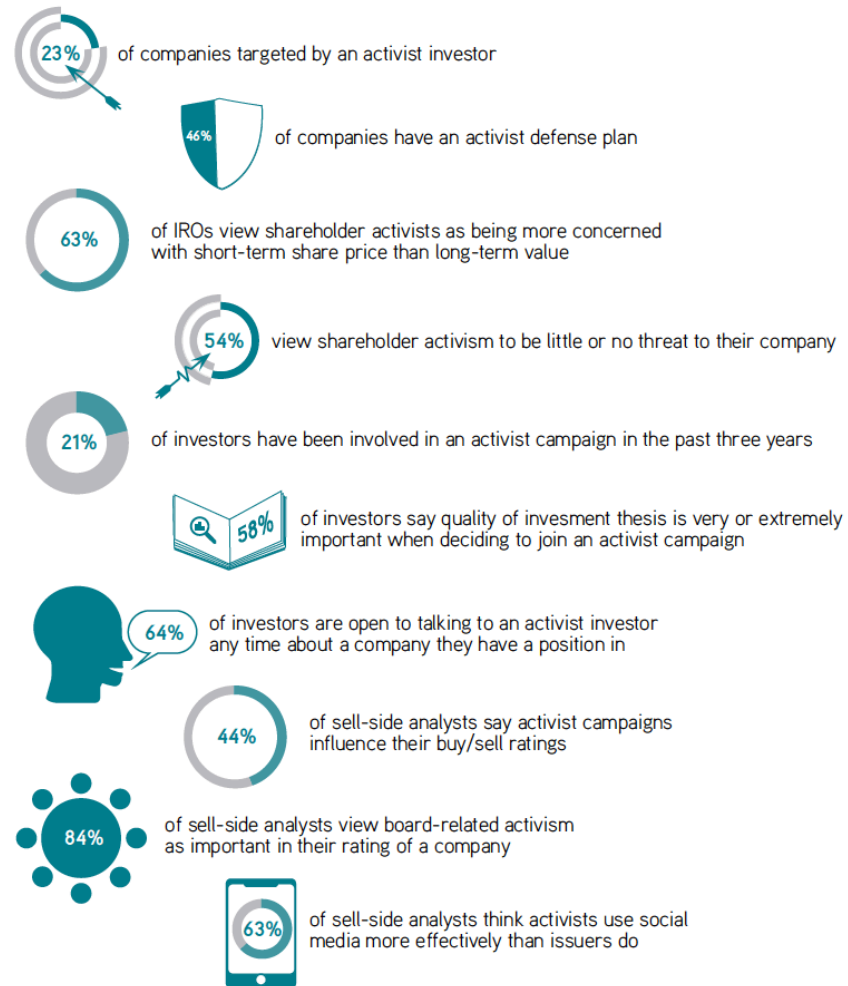
Investor respondents: 218



Key findings



Key findings



The background of the page is a solid teal color. Overlaid on this background is a graphic of several raised fists, rendered in a darker shade of teal. The fists are positioned at various heights and angles, creating a sense of movement and solidarity. A dark brown rectangular box is centered horizontally across the middle of the page, containing the text 'IRO view' in white.

IRO view

IRO view

Activist targets

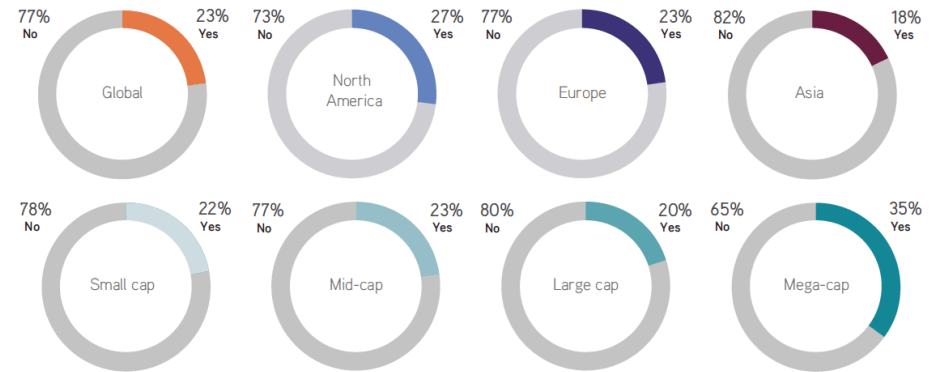
Less than a quarter of companies polled in our Global IR Survey 2019 have been targeted by an activist investor. Fewer than one in 10 companies have been targeted in the past year and 18 percent have experienced shareholder activism within the past four years.

Regionally, North American companies are the most likely to have been targeted by an activist investor, with 27 percent of companies from this region having been targeted in the past. But more than one in 10 North American companies last experienced an activist campaign more than four years ago; more recent activity is found in Europe and Asia, where 16 percent of companies have experienced activism

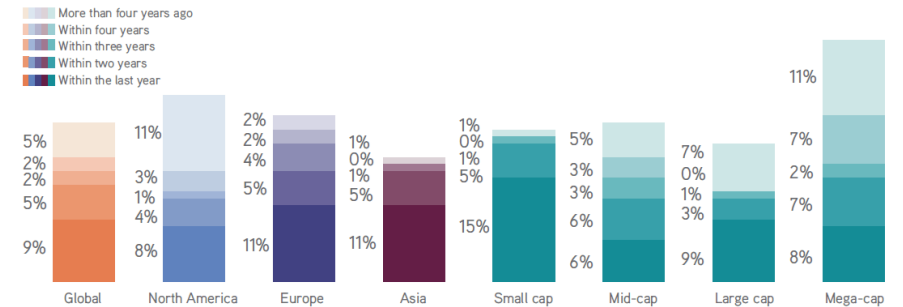
in the past two years compared with 12 percent of North American companies.

More than a third of mega-cap companies have experienced shareholder activism. Although this means the largest companies are the ones most likely to be targeted, there has been a recent trend of activists targeting small-cap companies. While 11 percent of mega-cap companies last experienced an activist campaign more than four years ago, 15 percent of small-cap companies have been targeted by an activist investor in the past year.

Has your company ever been targeted by an activist investor?



When was the most recent time you were targeted by an activist investor?



Comments



Comments

When rating the threat of shareholder activism, IROs were asked to comment on the reasoning behind the score they gave. Below is a selection of these comments.

0-2

'When you treat investors with respect, this situation tends to happen less'	Argentina	Mid-cap	Utilities
'Our company works continuously with our shareholders to ensure they are happy with our operations and long-term strategies'	Canada	Mega-cap	Energy
'Possibly in the ESG space in the future'	UK	Mega-cap	Energy
'We have very supportive shareholders and frequently solicit their input on company performance, strategy, governance issues, and so on. We have had no indications of conflict-type shareholder activism'	Philippines	Large cap	Industrials
'As long as you deliver, you are fine with your investor base'	Hungary	Large cap	Financials
'We are currently fairly valued, so the likelihood of an activist campaign to unlock extra value is small. Most likely, we're just at risk for annual proxy shareholder proposals that get submitted every year (as an S&P 500 company)'	US	Large cap	Industrials
'We are very focused on returns, the balance sheet, maximizing free cash flow and returning it to shareholders. We also engage with shareholders through perception studies to understand how our strategy resonates with the market'	US	Mid-cap	Consumer discretionary

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View from the buy side

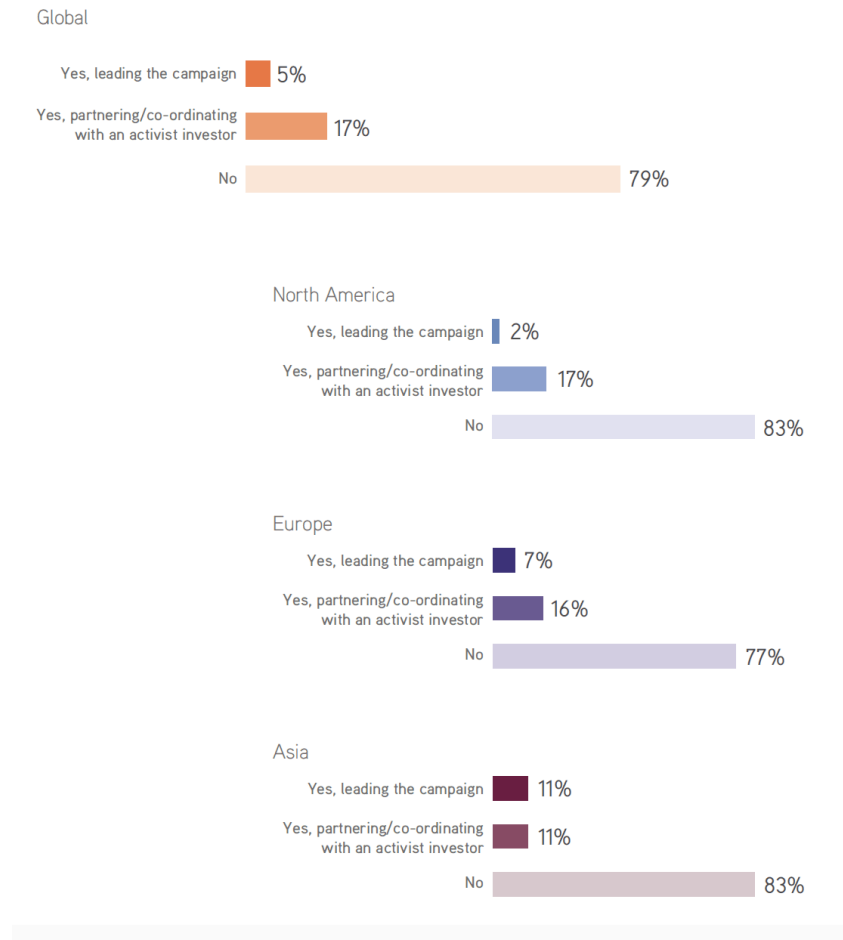
View from the buy side

Involvement in activism

Globally, 22 percent of buy-side respondents to *IR Magazine's* Global Investor Survey 2019 have been involved in a shareholder activist campaign in the past three years. Just 5 percent have led an activist campaign in this time, with 17 percent co-ordinating or partnering with an activist investor.

European buy-siders are more likely than their North American and Asian counterparts to have been involved in an activist campaign in the past three years. More buy-side respondents based in Asia have led a campaign in the past three years.

Buy side: Have you been involved in a shareholder activist campaign in the past three years, either leading the campaign or partnering/co-ordinating with an activist investor?



The background of the slide features a stylized, low-poly illustration of several raised fists in various shades of teal and blue. The fists are positioned at different heights and angles, creating a sense of collective action and solidarity. The overall aesthetic is clean and modern.

Response activities

Response activities

More than seven in 10 sell-side analysts expect companies to respond to an activist campaign by scheduling meetings with their major shareholders, while 57 percent expect them to update their investor-facing materials and half expect them to brief against the activist investor's campaign.

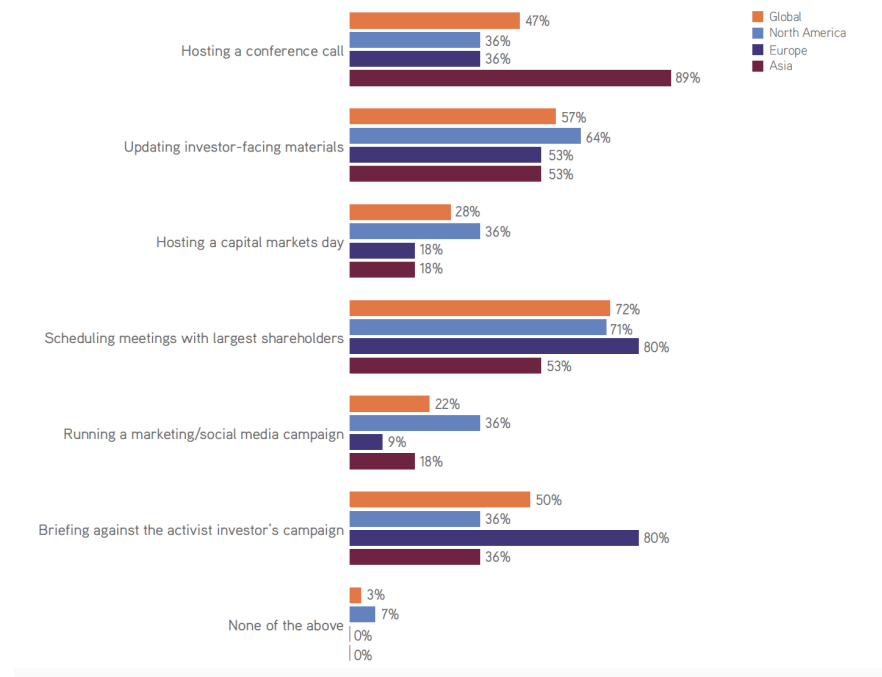
Inaction is not an option according to most analysts, although having companies run a social media campaign or host a capital markets day are considered less relevant responses to an activist campaign against them.

There are notable regional differences in how analysts expect companies to respond to an activist campaign. Almost nine in 10 Asian analysts think it is important for companies to host a conference call in response, compared with 36 percent of North

American and European sell-siders. Eight in 10 European analysts think companies should respond by briefing against the activist investor, more than double the proportion of North American and Asian

analysts who think the same. Asian analysts attach less importance than North American and European counterparts to scheduling a meeting with the company's largest shareholders.

Sell side: How do you expect a company to respond when it is subject to a public shareholder activism campaign?



The full Shareholder Activism 2020 report

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The Shareholder Activism Report 2020

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