

Shareholder Activism North America 1H 2016

Activists lead towards mid-cap targets as playing field broadens

North American shareholder activist data from Activistmonitor in 1H 2016 show a broadening strategy. More non-traditional activists are emerging at mid-cap companies.

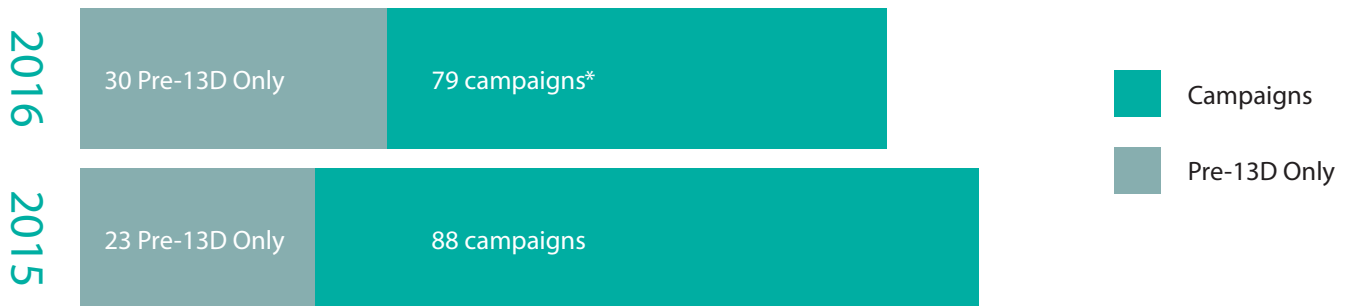
The number of below the radar actions by shareholder activists increased from 26% of total campaigns in 2015 to 38% in 2016. This is in line with an increasing trend of talks taking place behind closed doors rather than public campaigns and actions taking place with smaller stakes.

More unique targets emerged in 1H2016 compared to the “wolf pack” multiple activists seen in 1H2015. The median target market cap size this half was \$1.6bn.

The proportion of operational demands in North America from the top 20 activists has surged since 2011, Activistmonitor data show. Governance changes and board-related demands have increased at the expense of calls for buybacks, increased dividends and asset sales.

Activity Overview

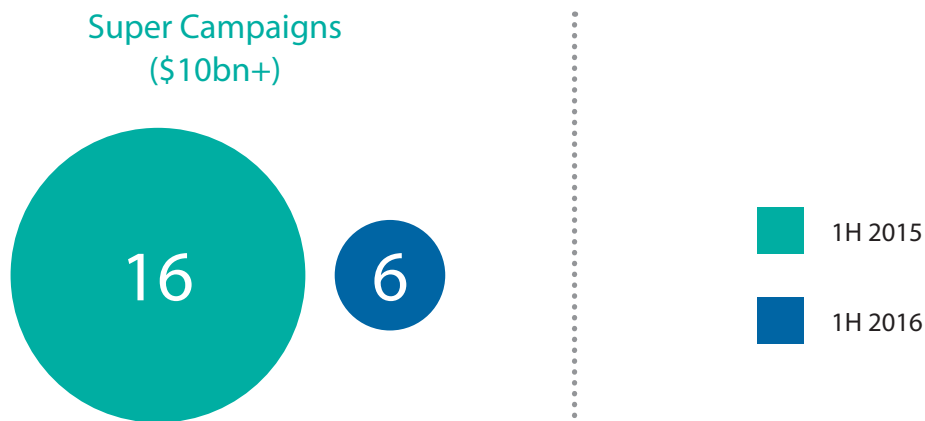
The number of announced campaigns dropped in 1H2016 from the same period last year. But activists are getting more attention with stakes below 5%. The proportion of campaigns without a 13D filing in North America increased in 2016.



*Based on campaigns included in the Activistmonitor universe.








Size

Activists are opting for mid-cap targets. The number of campaigns with a blockbuster market cap decreased in 1H2016. The median market cap in 1H2016 was \$1.6bn.



Sector Weightings

TMT retains its status as the busiest sector for activists in North America. FIG and real estate targets have increased in the proportion of campaigns.

BROAD SECTOR		% CHANGE	1H16 – UNIQUE TARGETS	% IN TOTAL	1H15 – UNIQUE TARGETS	% IN TOTAL
	TMT	-2%	24	34%	30	36%
	FIG	6%	10	14%	7	8%
	REAL	7%	10	14%	6	7%
	CONSUMER & LEISURE	0%	9	13%	11	13%
	ENERGY	4%	8	11%	6	7%
	PHARMA/BIO/MED	-7%	6	8%	13	16%
	INDUSTRIALS	-6%	4	6%	10	12%

Evolution of Demands

Activists are increasingly calling for governance changes and board-related demands.

ALL ACTIVISTS			ALL ACTIVISTS		
\$300m+ SINCE 2011			1H16		
BROAD DEMAND TYPES	NO OF DEMANDS	% IN TOTAL DEMANDS	BROAD DEMAND TYPES	NO OF DEMANDS	% IN TOTAL DEMANDS
Buyback/Dividend	74	7%	Buyback/Dividend	4	6%
Bolt-On/Asset-Sale	92	9%	Bolt-On/Asset-Sale	5	7%
Board-Related	271	26%	Board-Related	22	32%
Capital Allocation	140	14%	Capital Allocation	10	15%
Cost-Related	140	14%	Cost-Related	9	13%
Governance Changes	176	17%	Governance Changes	12	18%
Generic Strategic Alternatives	64	6%	Generic Strategic Alternatives	1	1%
Strategic Alternatives w/ explicit 'sell' statement	72	7%	Strategic Alternatives w/ explicit 'sell' statement	5	7%
GRAND TOTAL	1029		GRAND TOTAL	68	