



# Activist Insight

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## **Compromise Aids Shareholder Profits**

*Boards that compromise with activist shareholders perform better than those that dig in*

US companies that compromised with demands made by activist shareholders experienced bigger improvements in their share price, according to data from Activist Insight's new Follower Returns feature. The 29 instances of companies reaching a settlement agreement since 2010 produced an average annualised share price increase of 60% - outperforming the S&P by 42 percentage points over a comparable period.

Activists were successful in achieving their objectives 208 times and partially successful 41 times out of 471 activist actions between 2010 and 2013. Only 123 activist actions were unsuccessful, or resulted in the activist withdrawing its demands or seeing its complaints unresolved. Successful activism produced an average annualised share price increase of 27%, while partial success brought gains of 34%. There are currently 70 ongoing campaigns.

One high profile recent settlement was at Office Depot Inc, where Starboard Value was looking for board representation. The activist was offered board seats before a proxy contest had run its course. Shareholders in the company would have seen the value of their investments rise by 67% since the day the activist filed its first 13D.

Staying put after an activist has been defeated might be the worst decision a passive shareholder could make. In instances where activists were unsuccessful in impressing the need for change on company boards, the share price grew by an annualised average of 15%, just 1.5 percentage points more than the S&P grew over comparable periods. And when activists withdrew their board nominations, it was apparently more often in despair than relief. Companies in that position saw their share prices go up by an annualised average of just 7%, ten percentage points shy of the comparable S&P average.

Activist Insight's Josh Black said, "The reality is that both activist and board usually have something to say to each other. Compromise can lead to that blend of insider insight and the strategic thinking offered by independent shareholders which is critical for success. Unfortunately, it often needs a long proxy fight for board and activist to see eye-to-eye. When activists withdraw their board nominations, it usually suggests they've lost all hope of creating value."

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Activist Insight was founded in 2012 by Nick Arnott and Kerry Pogue. The company provides the most comprehensive global information source on activist investment. This includes live alerts on activist investments, over 190 detailed activist manager profiles, over 1,900 relevant company profiles, unique stats on activist campaigns and proxy battles, and much more. A free monthly newsletter subscription is available on request.

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