

THE 10 WORST

THINGS TO DO WHEN AN **ACTIVIST** COMES KNOCKING...
(and what to do instead)



Abernathy MacGregor

A shareholder activist has come knocking.

The stakes are high. The stress is real. What you say, when you say it and how you say it could have pivotal consequences on the outcome. While there is rarely one clear answer, there are countless mistakes that can be made. This booklet looks at 10 common mistakes communicators make when engaging with shareholder activists and offers our perspective on how to reorient thinking to get to the right business outcome.

The 10 Worst Things to Do in an Activist Situation

1

Trust results to stand on their own merit

2

Treat activists differently

3

Assume passive means passive

4

Leave it to management

5

Just campaign *against* their plan

6

Respond to every attack

7

Confuse reporters with investors

8

Stick to just one message

9

Keep teams in their "lane"

10

Underestimate the power of digital

1

Don't trust results to stand on their own merit

Every string of good quarters inevitably comes to an end. Results don't speak for themselves. Strategy does.

WHAT TO DO INSTEAD

A clearly articulated strategy carries the day. Activists will try to weave their own tale of potential value, but you can keep investors on your side if they already know how performance (current or future) is the result of a carefully developed and well executed strategy. Also, your strategy needs to be better than the one the activist is proposing.

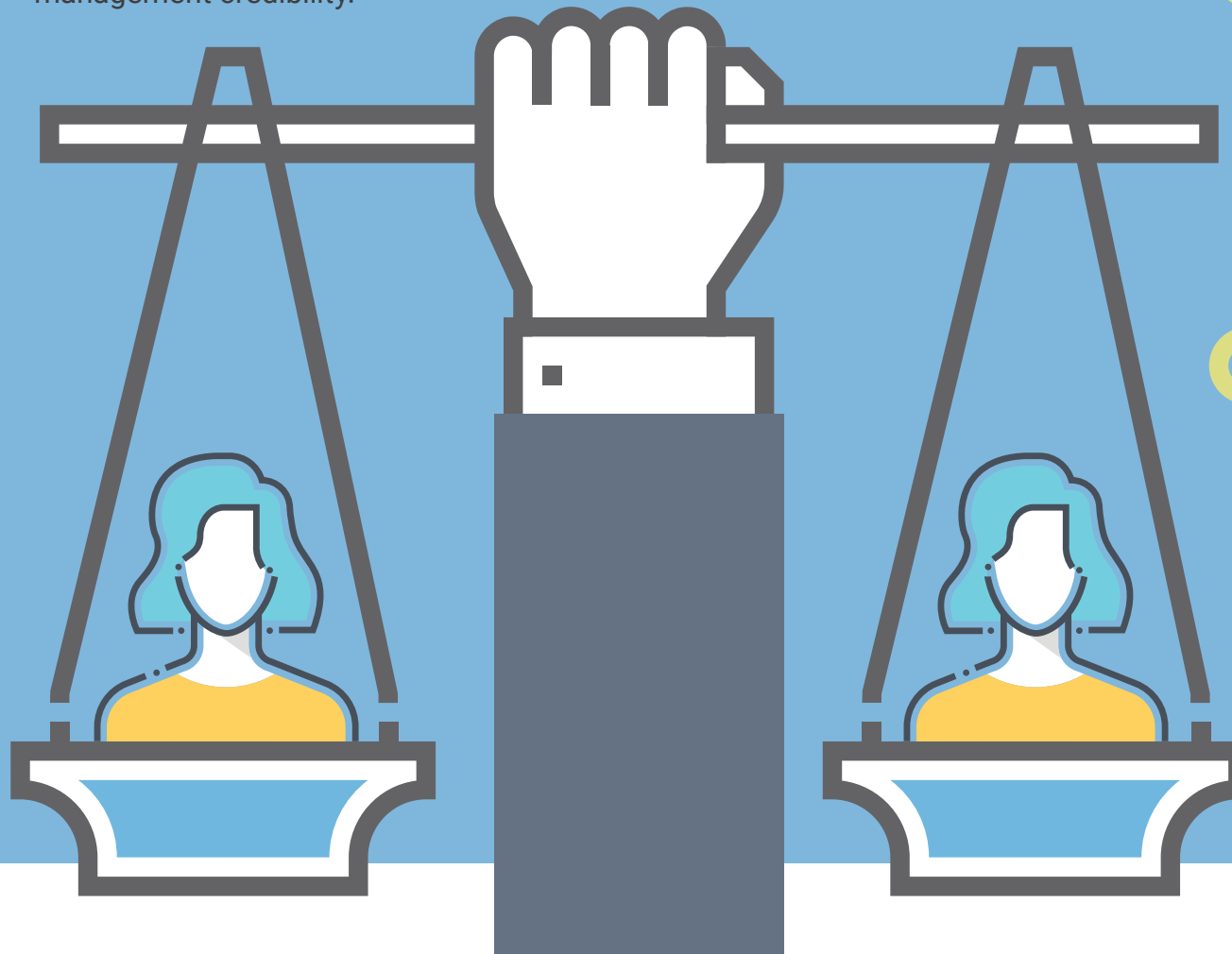
2

Don't treat activists differently

Activist investors are still investors. Established activist hedge funds are often respected for their history of value creation. Years of smart PR has all but eliminated the "activist" stigma. Simply trying to dismiss their legitimacy because they are an activist will only undermine management credibility.

WHAT TO DO INSTEAD

Engage with eyes wide open. Do for an activist what you would do for any large holder...unless and until they violate trust in a way that merits a change in approach. When attacked, remember to target the strategy, proposals and the tactics, not the individual(s). Trying to use "activist" as a dirty word no longer works in the investor community.



3

Don't assume passive means passive

Too many people assume passive means silent. Large passive funds have turned into some of the most vocal and influential shareholders in the market and can often sway a critical vote.



WHAT TO DO INSTEAD

While difficult to reach one-on-one, communication with passives is possible. If companies don't listen to, and work to address, passive investor concerns then they may face a very active vote against in a proxy fight.

4

Don't leave it to management

Activists fundamentally raise issues that involve the board. By definition proxy fights are about who sits on the board, and management alone can't carry the day.



WHAT TO DO INSTEAD

When an activist comes knocking the board must engage. Without undermining management's role in leading the effort, board members must be engaged, stay visible to investors and likely meet with the activist.

5 Don't just campaign *against* their plan

Companies cannot simply say no to activist proposals. Just like other voters, shareholders are looking to support something. They are most active and engaged when they believe in the cause.

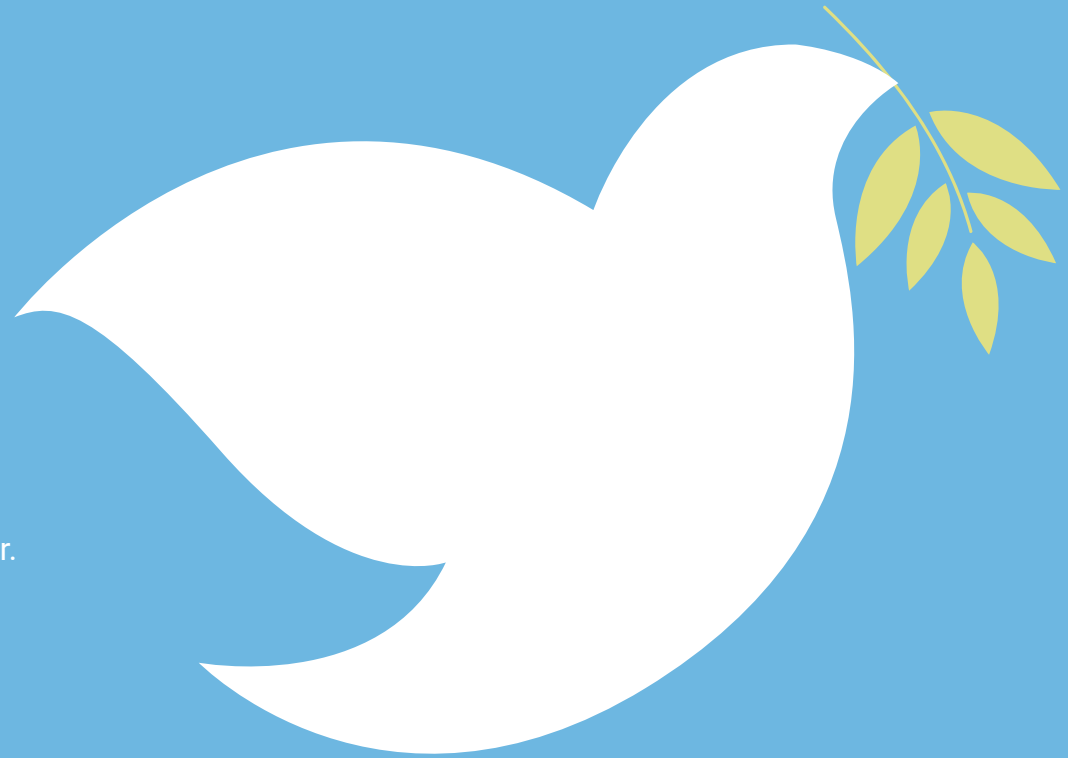


WHAT TO DO INSTEAD

Offer a plan to vote for, not just a target to vote against. It is much easier to turn down an activist's proposal when you contrast that proposal with a clear and achievable vision for the company's future.

6 Don't respond to every attack

Not every activist statement requires a public response, and not every issue is worth fighting over. Escalating hostilities or raising the volume usually benefits the other side more than yours.



WHAT TO DO INSTEAD

Choose your battlefields and your timetable, so you can deliver your messages in your way and directly to those who need to receive them. There are times to punch back, but it is better to speak softly and carry a big stick.

7

Don't confuse reporters with investors

Reporters thrive on conflict. A good story has good guys, bad guys and loads of tension. None of those elements are good for successful resolution to an activism engagement. Reporters will never be your most effective tool to reach your key audiences, especially investors.



WHAT TO DO INSTEAD

You must reach stakeholders directly. That starts with investors but often includes employees, regulators and customers. Be aggressive with media but remember that reporters are not a stakeholder themselves.

8 Don't stick to just one message

No politician sticks to just one message in a campaign. Companies shouldn't either. Repetition and consistency are always vital, but there is a fine line between affirming a core message and just repeating the same language even as the focus of the fight shifts.



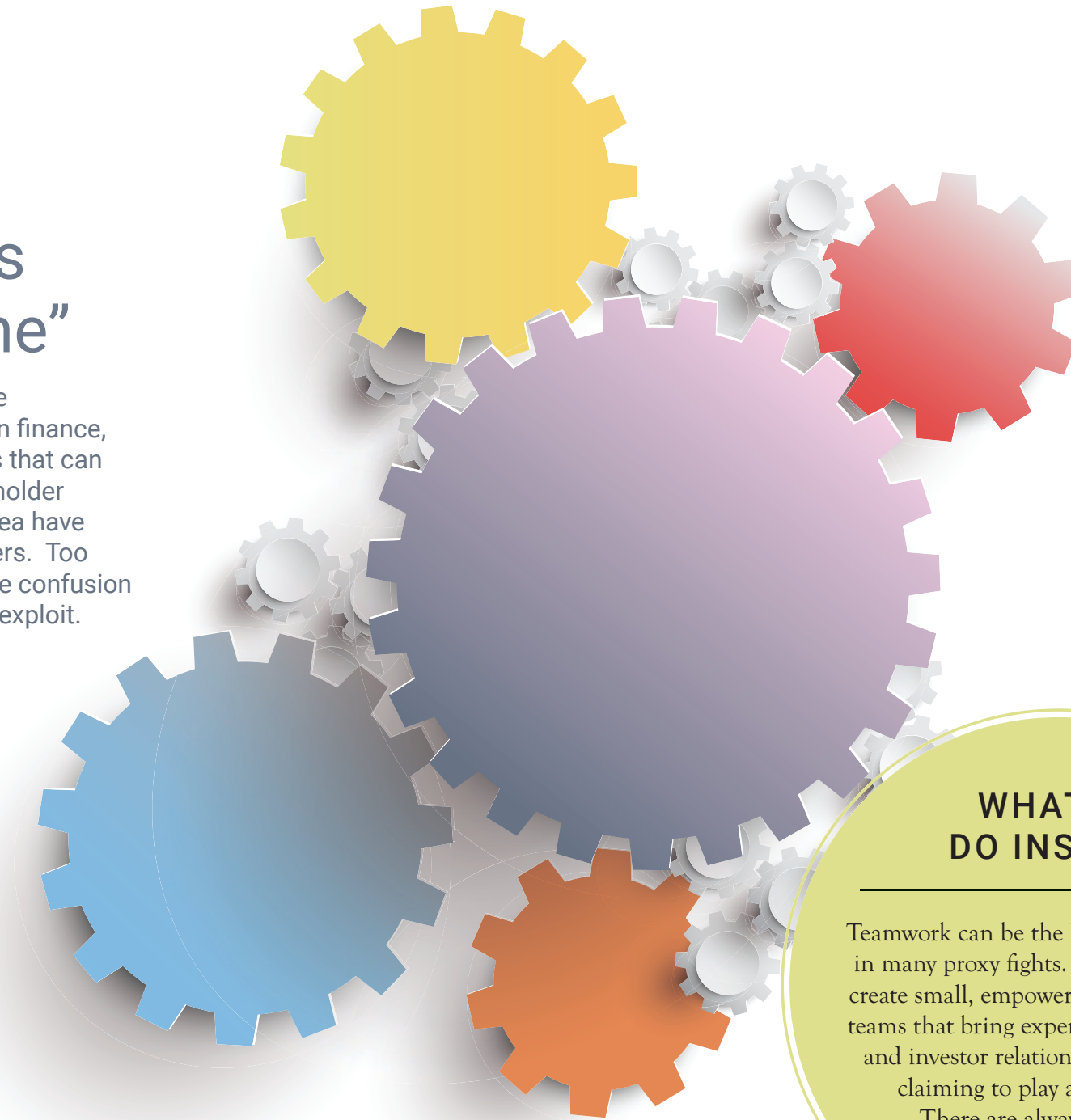
WHAT TO DO INSTEAD

Consider changing the messages based on feedback. Also recognize that your shareholders aren't a monolith. Be flexible with emphasizing different messages to different investor groups. Stay consistent on a core thesis, but don't stubbornly use just one way to say it.

9

Don't keep teams in their "lane"

Activist engagements raise intertwined issues between finance, legal and investor relations that can create even broader stakeholder impact. Changes to one area have immediate impacts to others. Too often corporate silos create confusion that activists all too easily exploit.



WHAT TO DO INSTEAD

Teamwork can be the biggest Achilles' heel in many proxy fights. Companies need to create small, empowered and collaborative teams that bring expertise in finance, legal and investor relations. Be wary of those claiming to play all roles at once.

There are always star players but nothing beats a team working together.

9:19 PM 100%

10 Don't underestimate the power of digital

The way the world consumes, processes and uses information has changed. Investors and other corporate stakeholders no longer rely solely on printed newspapers and physical mailings.

9:19 PM 100%

WHAT TO DO INSTEAD

Digital media is a powerful tool in reaching and influencing investors. There is no replacement for in-person, but a multi-channel approach is key to success. It is never too early to incorporate smart digital tactics into your investor relations strategy.

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