13D Monitor

QUARTERLY ACTIVIST REPORT

ALLOCATOR EDITION

DECEMBER 2024

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KEN SQUIRE

Ken Squire is the Founder and President of 13D Monitor. 13D Monitor is the premier subscription research service specializing in the analysis of activist investors' 13D filings and following the broader shareholder activist community. Squire has focused exclusively on following shareholder activism and corporate governance since 2006 and is a leading commentator in the industry. He is frequently quoted in the Wall Street Journal and other financial publications, and his weekly column The Activist Spotlight was featured in Barron's from 2007 to 2020. He is now a CNBC Contributor and The Activist Spotlight column can be read on CNBC.

In 2010, Squire created the annual Active-Passive Investor Summit, a forum that brings together the activist and passive investor communities to discuss prevailing corporate governance issues and provides top activist investors a platform to present investment ideas. Speakers have included Carl Icahn, Bill Ackman, Jeff Smith, Marty Lipton, Ken Moelis, Michele Edkins, Donna Anderson and Joele Frank.

In 2012, Squire founded the 13D Activist Fund, an event-driven mutual fund that focuses on investing in opportunities identified in activist engagements. Squire is the founder, chief investment strategist and portfolio manager. The Fund was the first of its kind, providing both individual and institutional investors diversified, liquid and low-cost access to the most compelling activist investments in this asset class.

13D MONITOR

13D Monitor was launched in 2006 when modern day shareholder activism was a nascent strategy. Since then, we have reviewed and analyzed every activist campaign and sent reports (see Page 46 for a sample) to our client base, which includes top activist investors, institutional investors and activist and activist defense bankers, lawyers, proxy solicitors and other advisors. Over 18 years, we have developed a comprehensive database (www.13DMonitor.com) that includes:

Activist Profiles

(see page 48 for a sample)

Advisor Profiles

Activist Campaign Database

Searchable and sortable Activist Campaign Database going back to 2006

Letters & Agreements

Library of Activist Letters, Agreements and Presentations

Standstill Database

Searchable and sortable Standstill Database with a real time analysis of Standstill Provisions

Voting Database

Searchable and sortable Voting Database detailing how the largest institutional investors have historically voted

Media Center

Activist News and Articles searchable by activist, company or key words

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December 2024

Company Vulnerability Ratings

13D Monitor has been analyzing every activist and activist catalyst since 2006 and has a deep knowledge of what factors activists look for and what metrics lead to an activist campaign. We have taken that knowledge and created what we believe to be the most accurate company vulnerability ratings available for virtually every US company with a market cap greater than $300 million that does not have a control shareholder (40% or greater).

Our ratings include, among other things, an analysis of stock performance, relevant balance sheet items, margins, multiples, peer analysis, corporate governance practices, M&A potential and activist tendencies.

We developed these ratings without taking into account the identity of the underlying company. When we finalized the criteria and weightings, we overlaid current activist campaigns and discovered that the median rating (from 0 to 100) of companies that presently had an activist hedge fund engagement was 78.8. In other words, more than half of the activist engagements occurred in the top quartile. Moreover, the ones in the bottom quartile were companies that you would expect to have a low activist vulnerability, such as Exxon/Engine No. 1 (18.1 13DM CVR rating), Disney/ValueAct (13.9) and Meta/ValueAct (13.1).

While even a rating of 100 will not guarantee that an activist will engage or a rating of 0 will not assure you that you will not have an activist show up, they are certainly a strong indicator of activist vulnerability and a valuable tool for activist preparedness. Additionally, the 13DM CVR will be a tool for activists and other investors as an idea generator and for corporate advisors to help them better serve and retain their clients.

CLICK HERE TO VIEW
COMPANY VULNERABILITY RATINGS

10 QUESTIONS WITH ANANYM CAPITAL MANAGEMENT

Alex Silver is a former Partner (since founding) and Investment Committee Member at P2 Capital Partners (2007-2023). He was previously with Karsch Capital Management (2005-2007), Soros Private Equity Partners (2001-2003), and Lazard Freres (1999-2001). Alex has an MBA from Harvard Business School (2005) and a BA in political science from Brown University (1999).

Charlie Penner is a former Partner at JANA Partners (2005-2020) and former Head of Shareholder Activism at Engine No. 1 (2020- 2021). He was previously with Schulte, Roth & Zabel (2004-2005), General Electric (2001-2004), Cravath, Swaine & Moore (1999-2001), and prior to graduating law school in 1999 worked in communications on Capitol Hill. Charlie has a JD from the University of Pennsylvania Law School (1999) and a BA in history and political science from Miami University (1994).

13DM// How did you decide to team up to co-found Ananym and how do you divide responsibilities?

AS// We had known each other for years and were both at the point in our careers where we wanted to design our own strategy and way of doing things. Specifically, we believed that creating a portfolio of great businesses that we wanted to own and enhancing returns using the full range of active engagement tools was a winning formula. We chose to do that together because our skillsets are very different but complementary. I've been investing for over 20 years in public and private markets and have a very definite sense of what I think makes an attractive investment and how to source and manage a portfolio, which is what I do at Ananym as CIO. Charlie for about the same amount of time has been working to make change happen at companies once they're in the portfolio, which is what he does as Head of Engagement. So the structure is very organic and our division of labor is meant to maximize our overall effectiveness and allow us to dedicate as much time as possible to investment research and value-enhancing engagement. It's been working well so far, where we are very collaborative and helpful to each other, but we have our own lanes and I can devote most of my attention to running the portfolio and Charlie devotes most of his to leading our engagements.

13DM// What types of businesses does Ananym invest in?

AS// We are primarily focused on small and medium-sized companies in the public markets, and in select instances we can partner with private equity to take portfolio companies private. We look for businesses that you would generally want to own independent of the engagement case – versus owning bad businesses that happen to have an engagement angle. These are generally higher-quality, undervalued businesses with a reason to exist, sustainable competitive advantages, high barriers-to-entry, predictable profits, and high returns on capital, but where something is preventing them from realizing their full value creation potential and we can help address that through our engagement. The obstacles can be operational, capital allocation strategy, strategic decisions, board and management composition, or business sustainability, anything where there is a discon

10 QUESTIONS WITH ANANYM CAPITAL MANAGEMENT

nect between company strategy and long-term value creation. We have seen that the public markets can extrapolate near-term headwinds, especially if self-inflicted by a company, to the long-term value of the business. We find great opportunities in this disconnect.

13DM// Some investors call themselves "constructivists" instead of activists. Do you?

CP// What I've found in my conversations is that what people oftenreally mean when they use labels like that is the distinction between only making your case privately or being willing to do it publicly if necessary, even if you are seeking the exact same changes. I think you can be private and still be unconstructive – for example if you're only focused on getting short-term results at the expense of long-term value creation like pushing a company to sell itself even if it doesn't make sense, or like the funds that are out of business now but used to dig up dirt on directors just to pressure them. At the same time, I think you can make your case publicly and be completely constructive about it, by sticking to the facts, not looking to embarrass people or make personal attacks, being willing to listen, and focusing on long-term shareholder value. There's a reason why shareholders have the right to appeal to other shareholders as owners of the business to maximize the collective long-term value of their investment. It's usually not necessary and we'll seek to resolve things privately when we can, but I also don't think it's anything to be ashamed about or has to be re-branded.

13DM// What will a typical engagement look like and how will it differ if it's public or private?

CP// It should really look the same from a substantive perspective. We have to do our work and make sure that we're making good arguments – not just throwing stuff against the wall and seeing what sticks – and that we've considered where we might be wrong. We have to bring the right resources to a situation, usually meaning working with people in the industry who are proven value-creators as operators or directors, both to diligence the thesis and if necessary to serve as independent members of the board. You need at least some level of underperformance and shareholder dissatisfaction; we'd much rather ride the wave of pent-up desire for change than try to make one, which usually doesn't work. Once we feel like we know what we're talking about and have a differentiated view on value and how it can be unlocked, we communicate that plainly to the company and listen to what they have to say in response. That should typically be a private and collaborative discussion, simply

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because that's usually the way to maximize your effectiveness. But if that doesn't work or isn't feasible, we will use the same dispassionate, fact-based style to make a positive case for change, usually working with people a lot smarter than we are about the industry in which the company operates.

13DM// Alex, P2 is known for conducting private, behind-the-scenes engagement. How will the portfolio look different now that you're working with a broader engagement strategy?

AS// In many respects it will look similar, meaning good businesses that can be made great through engagement, not broken businesses where the only hope is engagement. But having a broader engagement strategy will widen the aperture meaningfully to include businesses that I might have avoided in the past because I couldn't be sure whether completely behind-the-scenes engagement would be enough to achieve their full value creation potential and my only choice would be to sell if it wasn't. Here I can be more confident that we can achieve results even if it requires using the tools of traditional activism. And just having that tool in the toolkit can improve your effectiveness even if an engagement stays totally private. We value constructive outcomes but will pursue the path to unlock value via traditional active engagement if needed. In short, we can use our engagement skills to maximize returns wherever we see the most compelling opportunities versus having a narrower engagement toolkit.

13DM// Charlie, you most recently have run engagements with very large cap names. Will Ananym do those too?

CP// We can if there's a really good, differentiated idea, but we will mostly focus on small and medium-sized companies because they are less well-covered and it is easier to have a differentiated view on value and bring them ideas they haven't heard a million times before. With larger cap companies, our activism can sometimes give us that differentiated view. For example, in the last campaign I worked on at Exxon, it wasn't really news that a lot of shareholders wanted an energy company's board to have some energy experience and a lot of them also wanted the company to focus more on low-cost projects that could deliver high returns over a wider range of long-term prices and thus boost long-term shareholder value. The differentiated view was thinking you could successfully make that argument. But I've worked on campaigns with companies of all different market caps, including well under a billion. Sadly for me, they're all about the same amount of work.

13DM// How do you ensure as a new fund and at your current size that you can be effective in creating change?

CP// You need to have critical mass to run the business of course which we have, including a great research team of three people in addition to Alex and me, but the percentage you own doesn't really matter that much. We owned less than 2 bps of Exxon. By the same token, you can own 5% or 10% and lose; you are never going to be effective if you're pushing ideas that don't resonate with the company or with shareholders. But if you've done your homework and are proposing ideas that make sense for long-term shareholders and make your case effectively, you can get a lot done no matter how much you own.

13DM// Can you tell us about your recent investment in Henry Schein?

AS// Henry Schein is a good example of what we look for in an Ananym investment. It is a great business with number one and two market positioning in its core markets,

10 QUESTIONS WITH ANANYM CAPITAL MANAGEMENT

"You need to have critical mass to run the business of course which we have, including a great research team of three people in addition to Alex and me, but the percentage you own doesn't really matter that much. We owned less than 2 bps of Exxon. By the same token, you can own 5% or 10% and lose; you are never going to be effective if you're pushing ideas that don't resonate with the company or with shareholders." -Charlie Penner

trading at an extremely attractive valuation with ample free cash flow generation that provides meaningful downside protection. Our engagement across operations, capital allocation, board and management composition, and strategic choices can help make it an even better business. We have multiple paths to value creation based on its undervaluation and given that the key drivers of additional value are primarily within the company's control. Top line growth and multiple expansion aren't needed for a great outcome for shareholders, though we believe both may well occur in our investment period. Given the current composition of the board, this is also an opportunity to refresh the board with new directors to help management address the biggest opportunities and challenges facing the company. In short, Henry Schein adds value for its customers, and we believe that our engagement will add value to Henry Schein, which we believe can translate into a substantially and sustainably higher share price.

13DM// How do you manage risk?

AS// Our primary risk management tools begin with high quality stock selection and our buying and selling price discipline. We also evaluate and manage industry and geographic exposure and portfolio characteristics including leverage, debt to capitalization, correlations among portfolio investments, and other factors. We also of course enforce position-sizing limitations and keep an eye on investment liquidity. In our flagship fund we run a long-biased strategy targeting 60-90% net exposure with the ability to hedge using custom baskets, sector ETFs, and derivatives to reduce sector, market, or idiosyncratic risks where we think it makes sense to do so and where our activism can't sufficiently offset a risk. For example, if we were investing in media we would likely hedge our exposure given the secular risks to the industry, whereas with software investments we're comfortable with the industry dynamics for now. We don't however short for alpha. We also run a long-only strategy that invests in the same long positions as our flagship fund.

13DM// What is an "Ananym" and why did you pick that name?

CP// An ananym is a way of making a new name by spelling your name backwards. For example, Harper Lee's first name was Nelle, which was her grandmother Ellen's name spelled backwards, or one of the Beatles' early marketing companies was Seltaeb, which is Beatles spelled backwards. It just made sense to us for a bunch of reasons. It's a way of making some new out of words, which is kind of what activism is. It's a way of looking at things differently. And it's a way of putting who you are second and focusing first on a process, which is kind of the journey that activism has taken – from focusing on egos and personalities to focusing on institutionalization and process. People don't care who you are, they want to see you've got an effective and repeatable process for finding good ideas and executing on them, and our goal is to earn that reputation at our new company.

13D MONITOR ACTIVE-PASSIVE INVESTOR SUMMIT

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Investment Idea: Starboard Value

Jeffrey C Smith, *Managing Member and the Chief Executive Officer & Chief Investment Officer,* Starboard Value LP

Salesforce Inc (CRM)
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Kenvue Inc (KVUE)
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Pfizer Inc (PFE)
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Fireside Chat

Kelly Evans, *Anchor,* CNBC's "The Exchange" (Moderator)

Jay Clayton, *Chairman of the SEC 2017-2020*

Gary Cohn, *Vice Chairman,* IBM

Potential Trump Presidency

Kelly Evans opened the conversation by addressing the upcoming election and decided shift in sentiment towards a potential Trump presidency. Pointing out both Jay Clayton and Gary Cohn's former roles in the previous Trump Administration, she asked what the immediate priorities and general expectations for the future administration may look like. Jay Clayton spoke to the limited bandwidth in Washington, particularly in legislation, and stated that the Trump Administration has the experience to know to use executive action and administrative action. Cohn agreed that executive orders wield great power but emphasized that it is not law and can be overturned instantaneously by the next administration. He moved on to discuss the importance of personnel appointments and the Senate's rigorous confirmation process. Clayton added that a Harris presidency would likely result in a more rigorous Senate scrutiny – a Republican-controlled Senate may provide more latitude.

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Differences in Past and Future Administrations

Evans shifted the discussion to ask about differences between a new Trump Administration and the previous one. Cohn spoke to the fact that in this election there are two incumbents running, and there are four years of the Trump regulatory environment that we can look to. He characterized this environment as pro-business – at a high level, deals were generally approved, and they were approved relatively quickly. Cohn went on to contrast this with the Biden-Harris Administration, where delaying and deferring regulatory decisions is far more common. Evans pushed on this, and questioned what Trump's potential legacy and policy outcomes may be. Clayton underlined that Trump's economic North Star is going to be real wage growth and pointed to the nostalgia associated with Trump's previous presidency due to its 3% GDP growth, 3% real wage growth, 3% unemployment, with less than 2% inflation in 2019 going into 2020. When asked about potential shifts in regulatory policies to achieve real wage growth, Clayton emphasized the necessity of speed to market in high-barrier industries and the role of tariffs to achieve this, and Cohn reiterated the importance of growing the economy and growing productivity to deal with debt. Cohn noted that the difficulty lies in growing the base as quickly as you can without discouraging competition in the natural growth.

Current Economic Conditions

Evans then moved to discuss the bond markets' reaction to a potential Trump re-election and its implication on tax policies. Cohn was steadfast in saying that the yield curve was going to act regardless of external factors, and for the first time since the early and mid-2000s we are re-entering a normal economy, and the yield curve is normalizing. The conversation then shifted to Clayton regarding the past fiscal year's $1.8 trillion deficit, of which $900 billion is interest cost. Clayton stated that without growth, we cannot slow the acceleration of the deficit. He went on to highlight that the US has the unique ability to fuel this growth through cheap energy, tech, incredible human talent and capital markets. Cohn contributed by highlighting people's growing concern about the Social Security cliff and advised that any politician steer away from cutting Social Security benefits and face it instead. The two aligned that by addressing the many inefficiencies within the US budget, we can better manage the challenges of the growing deficit while also pursuing tax and spending policies.

Final Thoughts: Upcoming Election

In the final moments of the conversation, Clayton and Cohn touched on their final thoughts with the looming election. Clayton encouraged us to look at the global economic stage, particularly the Middle East from a US partnership and global economic trade perspective. Cohn addressed tariffs and noted that they are an important tool for any head of state – particularly when a country has a substantial advantage over you in the production of a good. He pointed to electric vehicles as an example – a good produced at a considerably lower cost in China than in the US due to low costs of capital, no enforcement of living wages, and a lack of economic standards in China. A tariff placed on the Chinese electric vehicle ensures the preservation of US jobs and manufacturing.

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Panel: 2024 Proxy Season Recap and 2025 Outlook

Sebastian Alsheimer, *Partner and Co-Head of Shareholder Engagement & Activism,* Wilson Sonsini Goodrich & Rosati

Bruce Goldfarb, *President and Chief Executive Officer,* Okapi Partners LLC

Patricia Olasker, *Partner,* Davies Ward Phillips & Vineberg LLP

Big Targets and Big Defense Costs

The panelists opened the conversation agreeing that the 2024 season saw continued high levels of activism. Goldfarb noted one macro shift he has noticed is more campaigns targeting large and mega-cap companies like Disney, Starbucks, Norfolk Southern and more recently Air Products and Pfizer. Alsheimer noted their frequency is in line with historical averages, and that the shift people are really noticing is that many of these campaigns reached contested annual meetings and longer campaigns tend to come with more attention. Olasker concurred, adding a new spin to this trend that longer campaigns have led to higher defense spending for companies. For example, Gildan's proxy fight with Browning West has become the high watermark for this, as the combination of hiring investment banks and a slew of lawsuits cost a $7 billion company nearly $77 million. Goldfarb added that company defense strategies have changed and evolved, Disney's defense tactics incorporated multi-channel strategies resembling political ads proving to be effective and more cost efficient than traditional approaches. One reason why these companies may be bolstering their defense arsenal now is the recent trend of activists going after CEOs. Alsheimer cited the Rossman report, which put the life expectancy of a mega-cap CEO after an activist engages to right around 90 days. As a result, CEOs may now be seeing the writing on the walls when activists come in and one can understand why it would be difficult for them to surrender.

Reflecting on the Universal Proxy Card and Changing Dynamic

In last years Proxy Season Recap Panel, panelists agreed that the introduction of the Universal Proxy Card (the "UPC") pushed companies to settle as the UPC made it easier for activists to reach a contested vote. Goldfarb noted that this makes it easier for anyone to be an activist but the UPC has not broken the system in the way some initially anticipated. Though initially seen as a huge disadvantage for companies, while we have seen a few large proxy fights, it seems less than expected as there were fewer proxy fights this 2024 season than in 2023. However, the UPC has introduced new patterns, notably how we are seeing multiple activists target the same Company, as highlighted by Olasker. This has been seen in many engagements throughout the proxy season, but is no doubt highlighted in Disney with Trian and Blackwells and more recently with Mantle Ridge and DE Shaw at Air Products. In both campaigns, the activists surfaced similar objectives around CEO succession and capital allo-

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cation strategies. However, this overlap can be inefficient for activists who are on similar pages, as Olasker stated that Blackwells and Trian both putting up proxy cards may have split the vote a bit, like two Democrats running for president. For this reason, Olasker advocated for DE Shaw to throw their support behind Mantle Ridge at APD (just a few days after the conference on October 24, this happened when DE Shaw dropped their potential nominations and agreed to support Mantle Ridge).

M&A as a Tool in Activism

The panelists agreed that M&A has continued to evolve as a tool in activism. While some "sell-the-company" investment theses have come under fire as lazy or short-term activism, activists continue to use M&A as a way to unlock shareholder value. And as Olasker pointed out, companies are now increasingly using M&A defensively to stave off an activist. She explained how the Gildan proxy fight exemplifies this dual use, where the company attempted to sell itself out from under shareholders to avoid an activist on the Board. However, this approach raises questions about corporate governance, as in this situation, it seemed the defensive sale was not in the best interest of the shareholders. Thus, vocal shareholder opposition ultimately halted the sale.

Activist Lightning Round

Sarat Sethi, *Managing Partner,* Douglas C. Lane & Associates (Moderator)
Christopher Hetrick, *Director of Research,* Engaged Capital, LLC
Changhwan Lee, *Founder, CEO, and CIO,* Align Partners Capital Management Inc.
Scott Ostfeld, *Managing Partner and Portfolio Manager,* JANA Partners LLC
James Smith, *Founder and CIO,* Palliser Capital (UK) Ltd

Portillos Inc (PTLO) - Engaged Capital
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Doosan Bobcat Inc. (241560.KS) - Align Partners Capital Management
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Wolfspeed Inc (WOLF) - JANA Partners
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Tokyo Tatemono Co., Ltd (8804.T) - Palliser Capital
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Investment Idea: Impactive Capital

Lauren Taylor Wolfe, *Managing Partner,* Impactive Capital

SLM Corp (SLM)
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Basic-Fit N.V. (BFIT.AS)
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Panel: M&A Activism

Joe Berardino, *Managing Director,* Alvarez & Marsal

Peter Feld, *Managing Member, Portfolio Manager, and Head of Research,* Starboard Value LP

Dan Zacchei, *Managing Partner,* Longacre Square Partners

Current M&A Environment

Berardino opened the session describing the M&A environment over the past couple of years, characterizing 2021 as a post-COVID blowout of M&A activity, which got tempered in the subsequent two years. He noted that we are now seeing M&A activity make a comeback, catalyzed by lowered interest rates, and that with the election in two weeks, we are looking forward to an interesting time with more certainty on the interest rate side. Additionally, Beradino pointed out that private equity funds are currently sitting on a trillion dollars of unlevered capital, and they need to transact to survive.

M&A In Activist Campaigns

Peter Feld took the conversation to Starboard's philosophy with regards to M&A, expressing his belief that it's a critical element of corporate strategy in the way that management teams and boards think about how to allocate capital. He stressed the importance of companies having their houses in order before they undertake M&A transactions, pointing out that companies tend to want to do deals when they feel good about their business, when the economy is strong, when money is cheap and when stock prices are higher. This can lead to companies overpaying for acquisitions that may be poorly timed, even if strategically rational. He also noted that Starboard has seen much success in M&A activism, particularly when a highly per forming company identifies an underperforming company, acquires that business at a good valuation and integrates / runs it with the same skill that they run their own business.

Dan Zacchei pointed out that activism doesn't need a strong M&A market to exist and

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thrive, as evidenced by the past few years, but later noted that M&A and activism are linked in many ways. He stated that when M&A activity is on the rise, there is an interesting theme in activist behavior and there is a higher level of deal opposition, even from investors who do not typically engage in activism. He noted that this phenomenon of non-activist activism has even transcended to public companies who have gone activist on other public companies.

Lessons Learned from Market Transitions

Feld addressed the intersection of M&A and activism, highlighting that there is often a ton of attention given to activists pushing for sales of companies, and less recognition of the work that activists do to help companies make smarter decisions about how they spend their capital on buy side M&A. He discussed Starboard portfolio positions Marvell Technologies, Gen Digital (f/k/a NortonLifeLock) and Ritchie Bros. At all three of these companies, Starboard helped focus on good capital allocation decisions, not simply calling for a sale of the company. Zacchei echoed the sentiment of sophisticated activists looking at all capital allocation opportunities and the broad array of ways that a company can create value over time, instead of simply calling for a sale of the company.

Staying Ahead of the Curve

Feld discussed the concept of companies investing in the "bright, shiny object", where they will overpay on new acquisitions at huge multiples to try to play catch up, and that generally just does not work. He noted that the "string of pearls" approach can sometimes work, but only with very good and disciplined operators. There are a lot of companies out there who will do a bunch of M&A deals at what seems like responsible levels, but then at the end of the day they end up spending a ton on new acquisitions and have little to show for it.

OFF THE RECORD Fireside Chat

Ed Garden, *Director,* GE Aviation & Chairman & CEO, Garden Investments

Tom Horton, *Lead Director,* GE Aviation & Lead Director Walmart

Panel: Defending Against Activism

Dan Burch, *Chief Executive Officer,* MacKenzie Partners, Inc.

Barrett Golden, *Partner,* Joele Frank, Wilkinson Brimmer Katcher

Elina Tetelbaum, *Corporate Partner,* Wachtell, Lipton, Rosen & Katz

CEO Targeting

Tetelbaum began the conversation by addressing three dynamics that can happen in an activist battle that can make it more difficult to defend against: (i) when the CEO is targeted; (ii) when there are multiple activists; and (iii) when there are multi-year campaigns. Golden addressed CEO targeted situations, noting that when she sees these campaigns, she knows

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they are in for a fight. The company needs to come up with third party validators to stand by the CEO, and if the board is not quick to back the CEO, there is a problem. She went on to highlight that when a CEO is being targeted, it is not always just a matter of strategy and governance – there can be several behind the scenes, personal components that don't become public.

Burch argued that most proxy fights are aimed at the CEO from the start. Fights ultimately center on the company's performance, and the CEO is the most culpable person. He added that even after a proxy contest or negotiated settlement, there will likely require significant management change, especially if a majority of the board gets changed. Golden agreed that there is no fight that becomes more personal than a CEO fight, and it's important to practice strategic communication. Burch noted that activists are continuing to hone their tactics – there are several instances where an activist knows they want a change of the CEO, but rather than target the CEO they put forward someone with industry experience after the annual meeting. Golden finished off the subject by emphasizing that the bar for a win is extremely high when the CEO is targeted, which is a helpful lever from a defense perspective.

Multiple Activists

Tetelbaum transitioned the conversation to situations where multiple activists are involved. She asked Golden how she advises a company from a media perspective, when there is more than one activist involved. Golden touched on the fact that not every activist is created equal – when there are multiple in one stock, there is strategy behind who you speak to and who you don't. Burch also noted that over the last few years, we have seen traditional investors employing the strategy of activism, which could explain this increase in multiple activists in one stock. Additionally, Burch posited that it may become more common to see activists on both the buyer and the seller side in M&A situations, as there is a higher level of accessibility to stop and change deals, particularly from the buy side. Golden concluded that the essential take away in defense is to ensure you are building relationships with investors before a fight.

Multiyear and Long-Term Campaigns

Tetelbaum wrapped up by asking how her fellow panelists think the second year in an activist situation differs from the first, and what advice they would give a company experiencing a second round of an activist encounter. Golden emphasized that what happens between the settlement and the second round of an activist is crucial, stating that if there is unwavering alignment at the board level and there is progress being made, there is a stronger foundation for defense. She added that in the case that the activist already has somebody in the boardroom, it can be an easier game of defense the second year. Burch closed out the panel by stating that the second or third-year fight may involve different shareholders, so if your initial plan has proven to have been successful in the past, it is something to shine a light on in future situations. He further noted that if a company continues to believe in their plan, they should not shy away from a proxy fight, as success in the first year can often lead to a stronger defense down the line.

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OFF THE RECORD Panel: Activism in Japan

Brian Doyle, *Managing Partner,* Nihon Global Growth Partners Management Inc. (NHGGP)

Nels Hansen, *Partner,* White & Case

Hirowaka Murakami, *Founding Member and CIO,* Yamauchi No.10 Family

Activist Lightning Round

James Chenard, *Global Head of Equity Solutions,* Nomura Securities (Moderator)

Liad Meidar, *Managing Partner,* Gatemore Capital Management

David Johnson, *Founder and Managing Partner,* Caligan Partners

Sanghyun Lee, *Founder,* Flashlight Capital Partners

Mike Tomkins, *Senior Portfolio Manager,* Elliott Investment Management

Watches of Switzerland Group PLC (WOSG.L) - Gatemore Capital Management

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Verona Pharma (VRNA) - Caligan Partners

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KT&G Corporation (03378.KS) - Flashlight Capital Partners

Flashlight Capital Partners is an investment management firm dedicated to strengthening corporate governance and enacting transformative change at its portfolio companies. The Firm is one of the few activists exclusively focused on investments in South Korea, where its Founder and Managing Partner Sanghyun Lee has a special edge having spent 20 years in private equity, most recently serving as the former Head of Korea for the Carlyle Group. The Firm is based in Singapore and was founded by Sanghyun in 2020.

Before presenting their ongoing campaign at KT&G Corporation, Sanghyun discussed the state of Korean equities and laid out some staggering statistics about the Country. 50 million: the population of Korea. 14 million: the number of retail investors in Korea, a number which has grown 5x in the past six years. 2.5 million: the number of labor union members in Korea, a very active political constituency in the Country. 1 million: the average difference of past Korean presidential election winners and losers. 9 out of 12: the number of Korea's Presidents since 1948 who have been impeached, jailed, or killed.

What Sanghyun was driving at through these illustrative statistics was the foundation of the socio-political alignment in South Korea towards improving stock prices and valuation,

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and the dire need and bipartisan effort to address the "Korea Discount". The Korea Discount, or the perpetual undervaluation of Korean equities, is substantial. 67% of Korean equities are trading below 1x book value, and are discounted compared to peer countries like Japan and the UK, as well as emerging or risk-laden markets such as Taiwan, Vietnam, and the Philippines. Given the rise of retail investors, the important constituency of labor unions, and the photo finishes of past elections, addressing the Korea Discount has become a critical topic and a real bipartisan effort in the Country. This has been evidenced by the Government's launch of the Corporate Value-Up Program, a set of voluntary guidelines to improve disclosure, valuation, and corporate governance inspired by a similar program adopted in Japan.

Given this background, Sanghyun introduced their two and a half years long ongoing campaign at KT&G Corporation. KT&G, or the Korea Tobacco & Ginseng Corporation, is the leading tobacco company in Korea with 67% market share and number five globally. Despite its leading position, strong cash flow, and being one of the largest companies in the country, KT&G has continually traded at a substantial discount. At the onset of their campaign, it traded at a negative EV/EBITDA, with its market cap worth less than the value of its assets and subsidiaries.

Sanghyun touched upon Flashlight's five value-enhancing proposals to the Company, as well as some aspects of their campaign strategy. First, they would like to see the Company transition from its legacy cigarette business towards heat-not-burn (HNB) technology. Sanghyun argued that HNB is safer for the consumer, more profitable for the Company, and is poised for strong growth given its limited penetration in Korea. Next, they would like to see the Company spin-off or sell its 100% owned Ginseng subsidiary Korea Ginseng Corporation (KGC). KGC is the market share leader in Korea for Ginseng, which is the most consumed herbal medicine in the Country. Flashlight believes that the pairing of tobacco with ginseng has been non-synergistic, and that KGC would be better served as a standalone Company to pursue its own growth opportunity and better penetrate global markets. Not mentioned in his presentation but worth addressing, on October 13, 2024, Flashlight submitted a Letter of Intent to the Company to acquire its Ginseng unit for ₩1.9 trillion in order to pursue these opportunities. The final three value-enhancing proposals from Flashlight include: (i) focusing on the Company's core business by exiting non-core real estate and other businesses; (ii) pursuing a ₩6 trillion won plan to improve shareholder returns; and (iii) becoming an ESG leader in Korea primarily through improvements to the Company's corporate governance, such as adding shareholder representatives to the Board, aligning management incentives with shareholders, and committing to increasing its sales from HNB, among others.

After an unsuccessful proxy fight in 2023, Flashlight achieved some big wins at the 2024 Annual Meeting. After proposing the election of Sanghyun as a Director Candidate, the Firm withdrew his nomination after the Industrial Bank of Korea (IBK) submitted its own director candidate. IBK's nominee was elected to the Board in March 2024, and the appointment of a new CEO was approved by shareholders following Flashlight's criticism of the selection process of the former underperforming CEO Baek Bok-in. This was a watershed victory, as Flashlight had the support of the two largest shareholders of KT&G, both of which were backed by the Government of Korea: the Industrial Bank of Korea and the National Pension Service. This goes to show that Flashlight has been uniquely able to affect change at the Company by garnering support from the Government, as well as retail and international investors, through a combination of impressive and compelling letters and presentations, achieving the support of proxy advisors, and the distribution of unique campaign materials via YouTube and other mediums.

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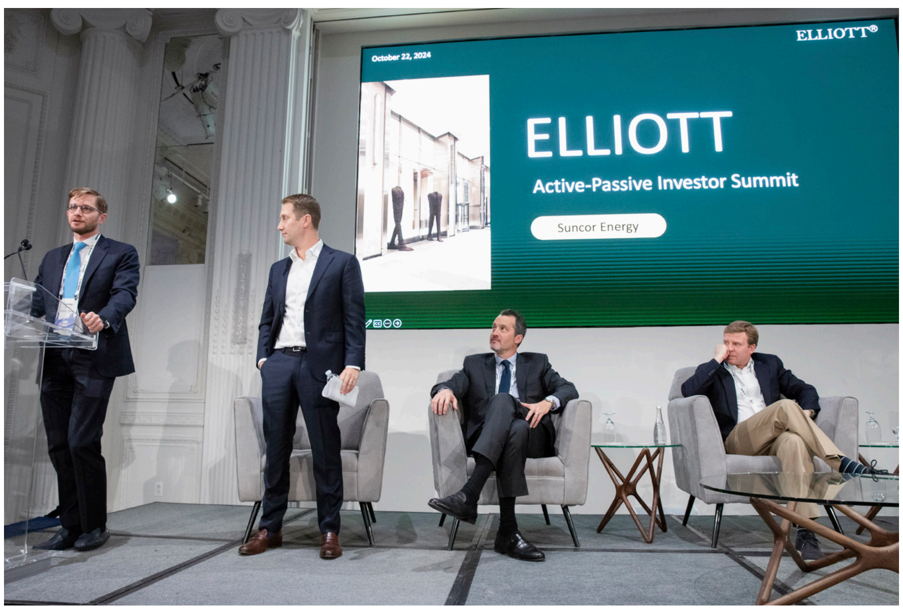

Since the date of their first meeting with KT&G management on April 22, 2022, the Company has delivered an excellent total shareholder return of over 50%, but Sanghyun noted that work remains to be done to unlock the remaining tremendous value of the Company in the coming years. Finally, Sanghyun detailed that the Flashlight I fund is up 88% since 2021 versus -13% for the KOSPI benchmark.

Suncor Energy (SU) - Elliott Investment Management

Mike Tompkins presented on Elliott's live activist campaign at Suncor Energy (SU). Elliott initiated their campaign in April of 2022, reporting a 3.4% economic stake, seeking board seats and an overhaul of management, and pushing the Company to consider selling its retail network of gas stations in Canada. Ultimately, in July of 2022, Suncor replaced their CEO and settled with Elliott, appointing Ian Ashby, Chris Seasons, and Jackie Sheppard to the Board as directors, where they all currently serve. Additionally, the Company agreed to form a new committee to oversee a strategic review of the Company's retail network and form a CEO search Committee. In November of 2022, Suncor announced its decision not to sell its retail network and soon after amended their Cooperation Agreement with Elliott to add another director, Daniel Romasko, to the Board, where he currently serves. Since then, under new CEO Rich Kruger, Elliott has seen a ton of upside at the Company, already returning 28% since their initial investment. But they see even more potential value creation and have doubled their initial stake from $1.6 billion to now nearly $3 billion.

Tompkins highlighted the significant improvements that the Company has made since Elliott's initial engagement. They believe that CEO Kruger's excellent leadership has restabilized the Company, reversing years of missed guidance and safety and operational issues. He noted that 2023 was the safest year in the Company's history and the Company has added new management and has refreshed the board with a total of six new directors. Additionally, the Company's dividend is now above pre-COVID levels and net debt has been reduced by $3.5 billion, allowing free cash flow commitments to be directed towards shareholders through dividends and stock repurchases.

Suncor's management has set aggressive and achievable targets for $3.3 billion in improved FCF, with plans to reduce the oil break-even price by $10 per barrel from $39 to $29, putting them in line with peers. Suncor's peers trade an average of 6.2x EBITDA multiple and if Suncor hits the targets that they have laid out, will trade at a 4.4x multiple. Thus, there is still a 50% upside to the stock from where it is currently trading, which Elliott thinks can be unlocked through improved execution and increased trust from shareholders.

Finally, Elliott sees a lot of parallels between Suncor and their Marathon Petroleum engagement - both energy companies with cultural and operational issues that were turned around by a new CEO from outside the Company. Elliott also noted that Marathon had a retail business that they sold and used to give cash back to shareholders. Suncor also has this opportunity and could choose to sell their high-quality retail business in Canada. Elliott believes this engagement will be a similar long term value creation plan to Marathon.

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Panel: Trending Legal and Regulatory Issues

Shane D'Souza, *Partner,* McCarthy Tétrault LLP

Douglas A. Rappaport, *Partner,* Akin Gump Strauss Hauer & Feld LLP

Bilal Sayyed, *Counsel,* Cadwalader, Wickersham & Taft LLP

Adriana Schwartz, *Partner,* Schulte Roth & Zabel

Masimo

Rappaport opened the panel highlighting the recent surge in hostile disputes between companies and activists that have escalated to litigation, specifically highlighting Politan's second round proxy fight at Masimo. He detailed the back-and-forth lawsuits between the two parties – Politan attempting to prevent the delay of the annual meeting, and Masimo attempting to block Politan from voting their proxies and alleging that Politan made misrepresentations in their proxy statement. Ultimately, the court ruled in Politan's favor, and they won their second proxy fight. Rappaport sees this proxy fight as a learning experience for lawyers who would use this type of "fight for every inch of territory" strategy.

Pfizer

Rappaport then turned to Starboard's engagement at Pfizer and discussed how Ian Read and Frank D'Amelio, former CEO and CFO of Pfizer respectively, were initially involved in their activist campaign and abruptly pulled out. It has been suggested that these former execs were threatened with litigation if they continued to support Starboard and this raises questions about how a particular company is being managed and underscores the importance for consideration of fiduciary obligations.

Moelis

Rappaport also addressed the March 2024 Moelis ruling, which determined that certain rights granted to a founding shareholder impermissibly limited the rights of the board to exercise authority over the company. These rights included preapproval rights for certain board actions, board and committee composition rights along with compensation rights. There was some concern as to how this may impact shareholder settlements, specifically related to activist campaigns, but the ruling has since been amended to specify that shareholder agreements can include the right to restrict corporate actions under certain circumstances.

SEC Scrutiny

Schwartz noted that we are in a time where the SEC is taking a more active role and urged investors to err on the side of caution in their reporting and to commence internal training to ensure timely and accurate disclosure filings. In the same breath, Rappaport mentioned the SEC's focus on Material Non-Public Information and shadow trading, urging activists to consult their lawyers.

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Hart-Scott-Rodino Amendments

Sayyed turned to the antitrust sphere and discussed changes to Hart-Scott-Rodino (HSR) form reporting requirements, which were minor but require slightly more documentation. In the proposed amendments, there were concerns that filing parties would have to disclose all their limited partners, but the final rule only requires limited partners to be identified if they possess management rights with respect to the acquiring entity. Sayyed pointed out that this consequentially may pose as an opportunity for firms to maintain some confidentiality around their investor base. Additionally, Sayyed mentioned the Trump administration's proposal to exempt acquisitions under 10% from HSR filing requirements and noted that if Trump wins, he may be able to again push for that exemption.

Evolution of Canadian Activism

D'Souza remarked on a noticeable shift in corporate behavior in Canada as companies have adopted a more litigious stance, displaying less restraint than in previous years. He used the Browning West / Gildan proxy fight as an example of this trend, where litigation strategies were employed on both sides. He added that this contested situation also displayed a trend of multiple litigations arising from the same engagement. Looking ahead, D'Souza predicts an uptick in contentious engagements in Canada.

Fireside Chat

David Faber, *Anchor,* CNBC (Moderator)

Greg Brown, *Chairman and Chief Executive Officer,* Motorola Solutions

David Deno, *Former Chief Executive Officer,* Bloomin' Brands

Motorola's Activist Interactions

David Faber opened the conversation by asking Greg Brown to share his experiences with activist investors in his 17 years as CEO of Motorola. Brown detailed his experience with Carl Icahn, noting that Icahn's activist position in the Company began before he became CEO. He touched on the importance of keeping close contact with Icahn throughout the engagement and their shared goal of wanting to split the Company. He emphasized the fact that when there is an activist with a large stake, there is a commonality and skin in the game – a good activist acts like an owner. He went on to outline his experience with ValueAct, where Jeff Ubben was the Principal and Brad Singer became ValueAct's board representative. Brown conceded that his mistake was maintaining close contact with Singer but not Ubben, which may have caused some misalignment and yielded a less amicable relationship. He went on to say that every activist is different and their objectives often differ. He had less clarity on the objective of ValueAct at Motorola than with Icahn, but Brown noted both activists exited their situations successfully, and they had valuable take-

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aways from ValueAct's pressure to cut costs and divest one of its assets. Brown rounded out the conversation by stating that overconfidence likely played a role in his misalignment with Ubben, particularly coming off his relationship with Icahn and Keith Meister.

Bloomin' Brands' Activist Interactions

The conversation then transitioned to David Deno's experience at Bloomin' Brands with JANA, beginning in 2017 when he was CFO, and more recently with Starboard, beginning in 2023 when he was CEO. Deno seconded Brown's sentiment that it is important to build a strong relationship when an activist enters your Company and highlighted the general success of both the Company and the investors during their respective activist situations. He noted that although he was well-versed in the activist world prior to his first direct interaction, there still necessitated a process of educating employees and board members, exploring settlement options, and looking at the broader context of the Company's governance.

Activist Preparedness

Greg Brown then spoke to the layers of activist-induced friction that he experienced at Motorola, recollecting that he entered the role of CEO in January 2008, when Icahn had already taken a position in the Company. Brown noted that the Company was losing a ton of money each quarter and he wanted to settle with Icahn. This was met with a lot of reproach from the Board, but they ultimately ended up agreeing unanimously with Brown and settled. Brown reiterated Deno's earlier point that having an activist on the board can act as a catalyst and that Keith Meister, Brad Singer, Vincent Intrieri, who were brought in by activists, were some of the best board members they ever had. When pushed on why that was the case, Brown emphasized that when an activist is on the Board, there is a commonality and an ownership mentality. They enter with a very high level of preparation and understanding of the business, which Brown ultimately believes made him a better CEO.

David Deno agreed, pointing to Jeff Smith and the Starboard team's preparedness and experience in the restaurant space. He noted that one of the more challenging parts of having an activist in your Company is that you must run your Company and go about the process of negotiating with the activist, articulating the process to the Company and the public, all the while working through an agreement. Running the Company is not sidelined. Brown pointed out that it is important for the CEO to be proactive with engagement and not simply take a secondary role when dealing with an activist.

Activism Behind the Scenes

Faber asked about the unpublicized aspects of dealing with an activist like pre-settlement discussions and what their experiences have been like. Both quickly emphasized the importance of early engagement. Deno went on to say that an activist that enters a Company believes in the success of the Company – they may not agree with where you are taking the Company but the more you engage, the more quickly you can get to the commonalities of your positions and where the issues lie. Brown underscored this by noting the importance of engaging to get alignment on what the activist thinks is

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causing the dislocation of value in the business. He highlighted this point when discussing how board meetings generally went – there was no sword fighting or confrontation because of the constant conversation that happened outside of the boardroom. Brown recollected that Icahn's engagement in Motorola was initially about capital allocation and excess cash on the balance sheet, but as management changed and conditions of the business changed, Icahn pivoted to breaking up the Company.

Activism Hostilities

Faber shifted the conversation to ask how their experiences may have been different if the activist was squarely focused on replacing their positions. Brown stated that the first thing he did upon Icahn getting representation on the board was look at his prior engagements – wherein three out of four of the CEOs were replaced. Deno reflected that when JANA entered, he had just become CEO and when Starboard entered, there was a succession plan for him in place. He noted that he tried to not make the situation personal – the decisions being made were about what was best for the Company, rather than self-preservation. Brown expressed that in his second engagement with ValueAct, in light of a fundamental disagreement between himself and the activists, he was nearly certain his job was on the line. Faber pushed on this disagreement, asking how he was able to move forward. Brown accredited his wife who urged him, if he was so certain that he was correct, to engage and pursue the option rather than quit an argument he thought he could win. Deno highlighted the importance of staying close to the Board and Brown conceded further that there are board members that have greater sway than others and staying close to them to understand their priorities is crucial.

Pieces of Advice

The conversation wrapped up with Deno and Brown offering their advice to activist investors. Deno emphasized the importance of not entering a situation with preconceived notions. There may be pros and cons of the Company that are not obvious, so an investor should not enter with a one-track mind. Brown seconded this note and added that engaging management constructively, rather than through bomb throwing, is much more effective in terms of getting information and transparency. There may come a time for bomb throwing but it is not the way to enter. Brown rounded out the conversation by quipping that in his 17 years at Motorola, he has had either an activist or a private equity person on the board and he thinks it's been a value add. His final pearl of wisdom for management was to think like an activist - evaluate your cost structure, margin profile and have people that take a proactive look at your business, both operationally and strategically.

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Fireside Chat: Proxy Advisors

Andrew Freedman, *Co-Managing Partner and Chair of Shareholder Activism Practice,* Olshan Frome Wolosky LLP

Cristiano Guerra, *Head of Special Situations Research,* Institutional Shareholder Services (ISS)

Jason McCandless, *Senior Director,* Glass Lewis & Co.

UPC Takeaways

The panelists opened up by discussing how the Universal Proxy Card ("UPC") has affected proxy fights as we approach the two-year mark of its enforcement. Freedman discussed how situations where an activist is pursuing fewer seats tend to settle quickly, sometimes even before the nomination deadline, but the situations that have recently come in front of Glass Lewis and ISS have been highly contested where the activist is putting a target on the CEO or going for control of the board. McCandless expressed that the UPC has not changed the process of how they evaluate proxy fights. He went on to agree that CEO targeting has been a trend in the past year and validated the strategy, particularly when it comes down to a fundamental disagreement on how the CEO carries out a strategy. Guerra's largest takeaway from the UPC is this year's activist win rate, which was at 30%, the lowest it has been by far in the 20 years they have been recording it. He highlighted several of the largest campaigns of the year – Starbucks, Disney, Norfolk Southern – and concluded that regardless of the varying levels of success each campaign had, a spotlight is put on the company and the board and management have no choice but to act differently. Freedman expounded upon this point, adding that activist fights can become very binary when you lose sight of the ultimate goal – the internal status quo of a company can be shifted the moment an activist enters, win or loss.

Glass Lewis and ISS Recommendation Process

McCandless stated that when Glass Lewis evaluates a campaign for recommendation, a large part of their process is engaging with the directors and seeing how teams present and respond to their challenges. The panelists touched on the Norfolk engagement where ISS and Glass Lewis recommended different board slates, showing how their recommendations can differ especially in highly contested situations. Guerra elaborated on the process of how they decide which directors to back, emphasizing that step one is determining whether there is really a case for change and if so, how much. He explained that the difficulty the new UPC presents is an activist's ability to target specific directors. The directors targeted often pose an obstruction to the activist's agenda, rather than being the weakest, so it becomes difficult to back the activist when the skills of the potential

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replacement do not outweigh the targeted director.

Targeting CEOs

Freedman transitioned the conversation to discuss the framework of analysis for when an activist proposes a replacement CEO. McCandless asserted that when a company's performance is lagging, the CEO and management that implemented that strategy should be the ones held accountable. He pointed to the widening acceptance of CEOs working directly with an activist, rather than against, and emphasized the value in that as a tool. Guerra closed out the subject by establishing that there can be good CEOs with bad boards, but you cannot have a bad CEO with a good board – an effective board will remove a bad CEO. He used Norfolk as an example of this: they weren't a bad company; they were a bad executor so the need for CEO change was not the top priority.

Gildan / Browning West

The panelists discussed the lasting significance of Browning West's campaign at Gildan – highlighting the unprecedented removal of 17 incumbent directors over the course of a six-month campaign. Guerra detailed how the situation allowed for creativity and diverting from their framework. McCandless further articulated this point by emphasizing the reversal of operations from a normal campaign – a board removal of the CEO yielding a shareholder revolt. Guerra and McCandless then touched on the do's and don'ts of meetings with ISS and Glass Lewis, where they concurred on entering preparedly but not overly rehearsed. Remaining open to dialog and showing a true understanding of the company goes a long way.

What's Next in Proxy Fights

The conversation came to a close with McCandless reflecting on how activism has progressed in recent years. He highlighted activists' movement towards less aggressive tactics, addressing operating plans and core strategies, recruiting high quality talent, and a general change in sentiment towards long-term investing. Guerra added that he believes proxy fights are going to get more direct going forward. There is no longer a company too big for activists and as they continue to go after these bigger, fish they need to have a really sharp argument to gain broad support.

Panel: Under Pressure: Getting to the Negotiating Table

Patrick Gadson, *Partner and Co-Head of Shareholder Activism*, Vinson & Elkins LLP

Jonathan Salzberger, *Managing Director,* Innisfree M&A Incorporated

Lex Suvanto, *CEO,* Edelman Smithfield

Strategies for the Negotiating Table

The conversation opened by discussing what strategies can help, and what structural issues can deter, two parties getting to the negotiating table. Suvanto emphasized that although lawyers are at the crux of it, principal to principal communication is an underappreciated tool. He went on to say that directors do not always recognize the importance of understanding the nuances of what an activist is looking to change, and further argued that the reputation of the investor can make a difference in how the deal is handled. He also noted that executives and board members can be susceptible to reputational threats when not properly advised – reputation makes a difference in terms of how easy it is to get to the negotiating table.

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Gadson reflected on Suvanto's appraisal of principal to principal communication and stated that there are limits to how genuine those conversations are, and lawyers and advisors often have to be the bad guy. Investors and companies alike can compound on an environment of distrust when both parties act in anticipation of the situation going south – hoisted by their own petards. Gadson underscored this point by impressing the importance of activists being upfront in the changes they want to make rather than just highlighting the underperformance.

Role of Advisors

Salzberger transitioned the conversation to question whether there exists a situation – particularly in more contentious situations involving M&A or change in management – where an advisor can have credibility on both sides of the deal. Suvanto noted that increasingly, from a defense perspective, there is more emphasis placed on knowing the activists personally than there was 5 to 10 years ago. Gadson seconded this and said that from a legal perspective, there are limitations placed on communication because principals are often represented by counsel. He went on to say that within the activism space, there is a relatively small network of people advising on the respective sides, so maintaining relationships and trust among advisors can help keep the disputes less hostile.

Hostile Tactics

Suvanto asked his fellow panelists how they feel about the more antagonistic actions in an activist situation – companies making surprise announcements at inopportune times, activists going to the media to promote more personal details of the executives. Salzberger broke down the two broad trajectories an activist or company can choose: slow and steady or full-bore. Slow and steady is the approach we most commonly see, but in the contentious situations referenced earlier, where the two parties fundamentally disagree, sometimes an attack approach is necessary. The panelists agreed in the importance of director preparedness for effective negotiations. Suvanto touched on the trend of activists revealing their stakes in the Sunday evening Wall Street Journal and questioned whether this is an effective tactic of setting the pace for the situation. Gadson speculated that the amount of engagement prior to the public announcement is what dictates whether this is a shock and awe tactic. Directors historically have jumped to the conclusion that the activist has no intention of being constructive if they open with a shock factor. He went on to say that how you start is how you'll stay – if you want to maintain the option of amicability, starting with the full-bore method is not constructive.

Media Tactics in Activism

The conversation rounded out on creative execution tactics, and whether the use of ads and podcasts creates buzz or detracts from the situation. Suvanto conceded that getting information to shareholders through different medias is generally a good thing. However, it is how that media translates to actual voting power that matters, and there should be caution deployed when using the different tactics. Gadson took a similarly conservative opinion, noting that understanding the reality of how the internet and social media operate is imperative when navigating those strategies. Most current directors do not have the deftness that comes with growing up with these tools.

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Investment Idea: Sachem Head Capital Management

Scott Ferguson, *Managing Partner,* Sachem Head Capital Management

Deliveroo PLC (ROO.L)
Click here to view the 13D Monitor Report

Delivery Hero SE (DHER.DE)
Click here to view the 13D Monitor Report

Investment Idea: Corvex Management

Keith Meister, *Founder & CIO,* Corvex Management LP

Keith Meister took a unique approach to his investment presentation. This year, his theme was: *following other activists*. He noted that investing behind activists has allowed Corvex to benefit from their hard work, sometimes at more attractive prices and often with lower risk as they are further along the journey of driving corporate change. The following three companies are all live activist campaigns, where the stock is currently trading below their respective activist's cost:

Illumina, Inc. (ILMN) / Carl Icahn
Click here to view the 13D Monitor Report

Dollar Tree Inc (DLTR) / Mantle Ridge
Click here to view the 13D Monitor Report

Fortrea Holdings Inc (FTRE) / Starboard Value
Click here to view the 13D Monitor Report

OFF THE RECORD Panel: Investor Perspectives

Chris Young, Managing Director/Global Head of Contested Situations Advisory Team, Jefferies Financial Group Inc. (Moderator)
Glenn Booraem, Principal, Office of the General Counsel, Vanguard
Vincent DeAugustino, Portfolio Manager, T. Rowe Price
Adam Katz, *Co-founder and Chief Investment Officer,* Irenic Capital Management

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Fireside Chat

Lars Förberg, *Founding Partner,* Cevian Capital

Ken Squire, *Founder and President,* 13D Monitor/13D Management

US vs. European Activism

Förberg gave a brief overview of Cevian, which takes a general approach of investing in European listed companies that have sound businesses and good market positions but are underperforming compared to their own potential and peers. He stated that their investing is rooted in making fundamental changes to improve the company and improve earnings per share over time. When asked about activism in Europe, and the benefits and detriments that set it apart from activism in the US, Förberg began by establishing that Europe is a set of several markets that run under different cultures, laws, and regulations. He went on to say that in general, countries in Europe have legislation in place that grant shareholders more power than in the US. There are no poison pills, there are simple voting rules based on a majority win, and typically there is a separation by law between the Chairman and CEO roles. He paralleled this with an almost monarchical structure in the US, where the CEO can be compared to a king or queen that sits in the Chairman role as well. The conversation was shifted towards executive compensation and how it can differ between the US and Europe – particularly given the difficulty in paying CEOs a substantial salary in Europe. Förberg underscored the fact that shareholders possess more power in Europe – if a CEO is not performing well or is leading the company astray, shareholders can vote the CEO out and get someone who will perform. He noted that there are some fields – financial, tech, and med tech – where paying the CEOs higher wages in Europe would deter a lot of candidates from going to US companies, where they could be better compensated.

Activism Over Time

Squire transitioned the conversation to the changing perception of activism, and asked Förberg if Europe, like the US, has slowly shed the stigma that activism once had. Förberg detailed how the criticism he once received, 25 years ago when he was just starting out, is no longer relevant as they have proven time and time again that they are not short-term investors – they work towards the ultimate betterment of the company and are a force for change at underperforming businesses. He then pointed to Cevian's express use of non-hostile tactics and referenced that they have never been in a proxy fight despite getting board seats at a majority of their portfolio companies. The conversation transitioned to how an activist campaign may differ from country to country based on different rules and regulations that are associated with that jurisdiction. Förberg highlighted that every company is different irrespective of what country it presides in – they spend a lot of time before investing to understand the company, industry, culture and people. Attempting to reuse the same playbook across any two situations won't yield the results you want. Förberg then detailed the handful of markets that Cevian generally stays in – German-speaking Europe, Scandinavia, France, and the UK – and spoke to the general tailwind in those markets that have caused even passive shareholders, such as pension funds and mutual funds, to be engaged as an owner due to legislation and regulations being put in place.

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Cevian's Philosophies

Squire then urged Förberg to shed light on the philosophies and practices that built Cevian, particularly as activism was such a nascent strategy in 2002 when the fund began. Förberg detailed his background in private equity, which begged the question if you can own a private company and work with it over time and change aspects to improve it, why can't you do the same with a public company? Not knowing the concept of activism at the onset, Förberg had the mentality that if you build a large enough position in an underperforming company to garner influence and take the time to generate a plan of improvement over a five-year span, you have the ability to double or triple the earnings of these companies. He stressed that Cevian's original strategy was to improve companies fundamentally, which differs from the event-driven hedge fund tactic that generally focuses on one concept of change within a company.

Tools for Value Creation

Förberg moved to discuss the tools Cevian uses when taking on the strategic improvement of a company. The first lever is governance: ensuring that the right board and management team sit at the helm of the company. The second lever is structuring: selling off non-core assets that detract from the core business. Förberg noted that over the approximately 70 investments of the last 25 years, they have sold an average of 25% of the assets of the company. The third lever is strategy: allocating the correct resources to give the company a competitive advantage, whether that be R&D, marketing, etc. The fourth and final lever is operational discipline: confirming that everything the company does is generating revenue. Förberg quipped that in poorly run companies it is very common for there to be hidden businesses that do not perform or profit.

Equity Values and Market Opportunities

Squire moved the conversation to discuss the markets in Europe and where opportunities may arise in relation to equity values. Förberg touched on the fact that many European companies are undervalued compared to their US peers, referencing that the valuation differential between the US and Europe may be the widest ever. Förberg highlighted Cevian's decision to move one of its portfolio companies, CRH, from a European listing to a US listing. By the sole action of changing the listing, in a year the company has closed the discount to American peers from 40% to 25% and is on track to get into the S&P 500 by January. Squire noted that changing listings is a common activist ploy in Europe, with an externality of seemingly automatic value creation in some situations. He then transitioned to ask Förberg if there are any sectors right now that are particularly interesting or appealing. Förberg detailed the importance of analyzing a sector before entering, particularly with regards to downside protection. He stated that their investment intention is for their change program to be the main driver of performance – they avoid industries with high fixed costs, companies that are dependent on raw material prices, and biotech. Those pathways rely too heavily on exogenous factors, and Förberg stated that they have the luxury of picking companies and industries with long term upsides and tailwinds.

Upcoming Election

The conversation closed out with Squire questioning how the upcoming election may impact the European markets and the global ramifications at large. Förberg emphasized that they have positioned their portfolio to avoid exposure to global trade risks. He went on to express that Ukraine is at the center of Europe's thinking when it comes to how Europe looks at a potential democratic win or Republican win – not necessarily from an economic standpoint but in terms of the values of the people. He concluded by saying that the US partisanship is generally based on a difference of values, and that the monetary policy between the two blocs is far less opposing.

DISSECTING ACTIVIST 13Fs

45 days after the end of each quarter, 13F filings are made by investors who have more than $100 million of qualifying assets under management. We analyze the 13F filings of the major US activist investors and provide the following data and commentary:

AGGREGATE ACTIVIST HOLDINGS

The top 12 major activists increased their 13F holdings by $1.21 billion to $59.7 billion. The most significant increase came from Elliott (+$1.98B), followed by ValueAct (+$817.68M), Corvex (+$410.52M), Starboard (+$408.86M), JANA (+$216.71M), Impactive (+$118.71M) and Engaged (+$32.62M). The decreases came from: Third Point (-$1.31B), Carl Icahn (-$965.83M), Trian (-$208.77M), Sarissa (-$190.09M) and Sachem Head (-$105.11M).

ACTIVIST CONCENTRATION

TOP THREE 13F POSITIONS AS A PERCENTAGE OF TOTAL 13F VALUE

CARL ICAHN (83.08%)
ICAHN ENTERPRISES LP (59.30%)
CVR ENERGY INC (15.55%)
SOUTHWEST GAS HOLDINGS (8.23%)

SARISSA (67.62%)
INNOVIVA INC (34.93%)
IRONWOOD PHARMA (16.78%)
GILEAD SCIENCES INC (15.91%)

TRIAN (64.45%)
JANUS HENDERSON GROUP (31.18%)
GENERAL ELECTRIC CO. (19.53%)
WENDYS CO. (13.74%)

VALUEACT (60.91%)
SALESFORCE INC (24.49%)
INSIGHT ENTERPRISES INC (20.00%)
DISNEY WALT CO (16.42%)

ENGAGED (51.37%)
EVOLENT HEALTH INC (18.30%)
V F CORP (17.28%)
NCR VOYIX CORPORATION (15.78%)

JANA (49.59%)
LAMB WESTON HLDGS INC (19.59%)
TRIMBLE INC (15.73%)
SPDR S&P 500 ETF TR (14.27%)

ACTIVIST CONCENTRATION

TOP THREE 13F POSITIONS AS A PERCENTAGE OF TOTAL 13F VALUE

IMPACTIVE (48.94%)
ASBURY AUTO GP (17.07%)
WEX INC (16.91%)
SLM CORP (14.95%)

ELLIOTT (44.75%)
SPDR S&P 500 ETF TR (21.40%)
SLCT SECTOR SPDR (PUT) (12.14%)
TRIPLE FLAG PREC MTL (11.21%)

SACHEM HEAD (38.45%)
US FOODS HLDG CORP (15.57%)
CVS HEALTH CORP (11.61%)
TWILIO INC (11.27%)

CORVEX (36.02%)
SOUTHWEST GAS HLDGS (13.66%)
ILLUMINA INC (11.55%)
MDU RES GROUP INC (10.80%)

STARBOARD (31.50%)
AUTODESK INC (10.85%)
GODADDY INC (10.45%)
GEN DIGITAL INC (10.21%)

THIRD POINT (29.81%)
PG&E CORP (13.24%)
AMAZON COM INC (9.28%)
DANAHER CORPORATION (7.30%)

13F COMMENTARY

13D MONITOR'S COMMENTARY ON NOTEWORTHY NEW POSITIONS & MATERIAL POSITION CHANGES

Carl Icahn

New Positions: Carl Icahn did not disclose any new positions this quarter. However, he requested Confidential Treatment on his 13F, which is generally standard for Icahn. So, there is at least one material position that has not been disclosed.

Material Position Changes:

- Since the end of Q3 Icahn has decreased his position in Southwest Gas Holdings Inc (SWX) from 15.36% to 13.43% (click here to view our report) Icahn currently holds four board seats for Andrew W. Evans, Henry P. Linginfelter, Ruby Sharma and Andrew J. Teno.
- Icahn increased his position in Centuri Holdings, Inc. (CTRI) from 2.93% to 4.06%. Centuri is the Utility Infrastructure business that was spun off from Southwest Gas on April 22, 2024 - Icahn purchased the majority of his CTRI shares in a private placement at a price per share equal to the IPO price of $21.

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Corvex

New Positions: Corvex disclosed three new positions, two of which were presented by Keith Meister at the 13D Monitor Conference on October 22nd – (i) a $79.53 million (0.53%) position in Dollar Tree Inc (DLTR) (click here to view our Mantle Ridge report); and (ii) a $44.42 million (2.48%) position in Fortrea Holdings Inc (FTRE) (click here to view our Starboard report). At the Conference, Keith Meister took a unique approach to his investment presentation and highlighted the potential value of investing behind other activists. He noted that this investment strategy has allowed Corvex to benefit from other activists' hard work, sometimes at more attractive prices and often with lower risk as they are further along the journey of driving corporate change. Continuing with this philosophy, Corvex's third new investment this quarter was Air Products & Chemicals Inc. (APD), albeit a small $2.6 million position. On October 4, 2024, Mantle Ridge announced that it had built a more than $1 billion position in APD, and since that time they have nominated a full nine-person director slate, which includes Paul Hilal (CEO of Mantle Ridge), and proposed a CEO replacement. A week after Mantle Ridge announced their position, DE Shaw came out with their own activist campaign and signaled interest in a board refresh. Since that time, they have thrown their support behind Mantle Ridge and stated that they no longer intend to nominate a slate of directors to the Company's Board.

Material Position Changes:

- Corvex increased its position in Algonquin Power & Utilities Corp. (AQN) from 0.15% to 0.43%. Starboard Value (8.86% holder of AQN) has a live 13D at AQN (click here to view our report) and initially called on the Company to initiate a sale of all or a majority of the Company's Renewable Energy Group, and on August 9, AQN entered into a definitive agreement to sell its renewable energy business (excluding hydro) to a wholly-owned subsidiary of LS Power for up to $2.5 billion. Earlier, on April 18, 2024, Starboard settled for board seats for Brett C. Carter and Christopher Lopez.
- Corvex slightly increased its position in Norfolk Southern Corp (NSC) from 0.11% to 0.12%. NSC was at the center of a heated proxy fight with Ancora Advisors, which came to its conclusion at the Company's Annual Meeting on May 9, 2024, where shareholders voted to elect three of Ancora Advisors' seven director candidates but rejected Ancora's attempt to replace the CEO. Most recently, on November 13, 2024, Ancora and NSC entered into a Cooperation Agreement pursuant to which the Company agreed to increase the size of the Board from 13 to 14 members, and Ancora and the Company will mutually agree upon independent director to fill the vacancy prior to January 31, 2025. (click here to view Ancora's report)
- Corvex decreased its long exposure in Illumina Inc. (ILMN) from to 1.66% to 1.44%. ILMN has been the subject of an activist campaign by Carl Icahn since March of 2023 (click here to view our report), but Icahn's board representative did not stand for re-election at the 2024 Annual Meeting. On June 24, 2024, ILMN completed its previously announced spin-off of GRAIL, Inc. and distributed approximately 85.5% of the outstanding shares of GRAIL to its shareholders.
- Corvex slightly decreased its shares held in MGM Resorts International (MGM), which did not move the needle on their 1.93% ownership. Keith Meister has served on the MGM board since January 18, 2019.

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Elliott

New Positions: Elliott has been particularly active this year, with nine new activist campaigns at US-listed companies and seven new activist campaigns at international companies, year to date. Their most interesting position over the past quarter did not appear in their 13F – on November 12, Elliott disclosed a more than $5 billion position in Honeywell International Inc. (HON) (click here to view our report) and sent a letter to the Board calling on them to separate into two standalone companies - Honeywell Aerospace and Honeywell Automation. In their 13F, Elliott disclosed two new call positions on airline stocks - a $45.21 million (0.79%) position in Alaska Air Group, Inc. (ALK) and a $39.34 million (0.53%) position in American Airlines Group Inc. (AAL), increasing their long exposure in the airline industry. Interestingly, Elliott presently has an activist campaign at Southwest Airlines (see below). Finally, Elliott reported a new $103.29 million (0.05%) call position in Texas Instruments Incorporated (TXN). They have been invested here since at least May of 2024, when they announced taking a $2.5 billion position and calling on the Company to adopt a dynamic capacity-management strategy and introduce a free cash flow per share target of $9.00+ in 2026 (click here to view our report). Most recently, on August 20, 2024, Elliott commended TXN's capital allocation update wherein the Company outlined its growth expectations, capacity investments in 300mm wafer fabs, and framework of revenue scenarios across various market conditions, including a path to $12 per share of free cash flow in 2026.

Material Position Changes:

- Elliott increased its position in Etsy Inc. (ETSY) (click here to view our report) from 3.92% to 4.44%, where they have received a board seat for Marc Steinberg (Partner at Elliott), who was also appointed to the Board's Audit Committee.

- Elliott increased its position Match Group Inc (MTCH) (click here to view our report) from 4.54% to 4.80% - on March 25, 2024, Match announced the appointment of Laura Jones and Spencer Rascoff to its Board, following constructive engagement with Elliott. More recently, on July 15, 2024, Starboard Value filed a 13D on MTCH and highlighted various opportunities to improve operations, financial results, and capital allocation, including by optimizing Tinder through product innovation, cutting costs and improving margins, an aggressive and systematic capital return program, and potentially taking the Company private (click here to view our Starboard report). Additionally, on March 14, 2024, Anson Funds Management announced a position in Match and plans to push for a board refreshment (click here to view our Anson report).

- Elliott increased its position Southwest Airlines Co (LUV) (click here to view our report) from 1.0% to 10.19%. Elliott increased its beneficial ownership above 10% to call a special meeting to replace a majority of the board. Ultimately, on October 23, 2024, Elliott and Southwest entered into a Cooperation Agreement pursuant to which the Company agreed to appoint the following five directors to serve on the board: David Cush (former CEO of Virgin America); Sarah Feinberg (former Administrator of the Federal Railroad Administration, Chief of Staff to the U.S. Secretary of Transportation and Interim President of the New York City Transit Authority); David Grissen (former Group President of Marriott International); Gregg Saretsky (former CEO of WestJet); and Patricia Watson (Executive Vice President and Chief Information & Technology Officer at NCR Atleos).

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- Elliott increased its position Western Digital Corp (WDC) (click here to view our report) from 0.36% to 0.65%. Last year, Elliott successfully advocated for the Company spinning off its flash memory business.
- Elliott decreased its position NRG Energy Inc (NRG) (click here to view our report) from 5.02% to 4.77%. Most recently, on November 20, 2023, Elliott and NRG entered into a Cooperation Agreement, pursuant to which the Company appointed the following four individuals as directors: Marwan Fawaz, Kevin Howell, Alex Pourbaix and Marcie Zlotnik, where they all currently serve. As of January 2024, Elliott's total economic exposure in NRG was over 13%.

Engaged

New Positions: Engaged disclosed a $33.62 million (0.98%) position in BlackLine, Inc. (BL), a tech company that provides cloud-based solutions to automate and streamline accounting and finance operations worldwide. This was a new 13F position for JANA last quarter, which they no longer hold, but is a particularly interesting position because of another stockholder – Clearlake Capital. Clearlake is not an activist investor but an $80 billion private equity firm that has lately taken large, select positions in public companies as a precursor to offering to acquire them. They currently have a $315 million (9.14%) position in BlackLine.

Material Position Changes:

- Engaged increased its position in NCR Voyix Corporation (VYX) from 4.33% to 4.91% - At NCR's 2022 Annual Meeting, Glenn Welling was elected to the Board, where he no longer serves.
- Engaged reported increasing its position in Nevro Corp (NVRO) (click here to view our report) from 5.06% to 6.52%. However, since this time, they reported selling below 5% to 1.51%. On February 20, 2024, Engaged settled for a board seat for Kirt P. Karros, who currently serves as a director.
- Engaged reported increasing its position in Portillos Inc (PTLO) (click here to view our report), from 3.76% to 8.24%. This is a live 13D for Engaged and they have communicated potential steps to improve the business, including by optimizing restaurant performance, improving restaurant-level cash on cash returns, enhancing corporate governance through potential changes to the composition of the Board, and exploring a sale of the Company. Engaged has a lot of experience in this industry and a strong track record – they had board seats at Del Frisco's and Jamba in addition to settling for an independent board seat at Shake Shack.
- Engaged decreased its position in Evolent Health Inc (EVH) (click here to view our report) from 3.54% to 3.42%. Thie was a live 13D from August 20, 2020, until August 25, 2022, and Engaged settled for a board seat for Craig Barbarosh, where he currently serves as a director.

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Impactive

New Positions: Impactive disclosed two new positions, which are currently their smallest positions – (i) a $74.14 million (0.74%) position in Charles River Laboratories International, Inc. (CRL), a non-clinical global drug development company; and (ii) a $68.99 million (1.01%) position in SiteOne Landscape Supply, Inc. (SITE), a national full product line wholesale distributor of landscape supplies in the United States. SiteOne traded as low as $115.64 during the third quarter and has spiked since then to over $150 per share today.

Material Position Changes:

- Impactive reported increasing the following positions, all of which are live activist engagements: (i) Concentrix Corp (CNXC) (click here to view our report) from 5.89% to 6.75%; (ii) Marriott Vacations Worldwide Corp (VAC) (click here to view our report), from 7.42% to 8.59%; and (iii) WEX Inc (WEX) (click here to view our report), from 4.82% to 5.46%.

- Additionally, Impactive reported decreasing the following positions: (i) Asbury Automotive Group Inc (ABG) (click here to view our report) from 10.10% to 9.84%; (ii) Clarivate Plc (CLVT) (click here to view our report) from 5.80% to 5.58%; and (iii) SLM Corp (SLM) (click here to view our report) from 9.06% to 8.29%.

JANA

New Positions: JANA disclosed a new position in Lamb Weston Holdings Inc (LW), which they have since taken over 5% and filed a joint 13D with Continental Grain Co (collectively the "Group", holding 5.35%) (click here to view our report). JANA entered into nomination agreements with (i) Bradley Alford, former Chairman and CEO of Nestlé USA; (ii) Diane Dietz, former President and CEO of Rodan & Fields and CMO of Safeway, Inc; (iii) John P. Gainor Jr., former President and CEO of International Dairy Queen Inc.; (iv) Timothy R. McLevish, former Executive Chairman of the board of Lamb Weston and CFO of Kraft Foods Inc.; and (v) Joseph E. Scalzo, former President and CEO of The Simply Good Foods Company.

Material Position Changes:

- JANA reported slightly increasing its shares held in Mercury Systems Inc (MRCY) (click here to view our report) by 16,669 shares. On July 6, 2023, Scott Ostfeld (a Managing Partner of JANA) was appointed to the Board as a director, and earlier, on June 27, 2022, JANA settled for a board seat for William L. Ballhaus, who currently serves as CEO and Chairman of the Board.

- JANA reported increasing its position in Rapid7 Inc (RPD) (click here to view our report) from 4.34% to 5.78%, which they have since increased to 6.40%. In June 2024, JANA initially stated that they may urge the company to sell itself. More recently, on September 27, 2024, JANA announced their intention to continue having conversations with the Company's Board and management team regarding the following: (i) addressing challenges with operational execution, forecasting, investor communication and employee retention, (ii) management, (iii) compensation, (iv)

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corporate governance and board composition, and (v) evaluating the Company's value in a sale transaction, including Cannae's interest to participate in a potential acquisition of the Company. JANA also entered into Special Advisor Agreements with Michael Joseph Burns, Robert Bradshaw Henske, and Chad Kinzelberg, all of whom would presumably be JANA director nominees in case this escalates to a proxy fight. JANA still has several months before the 2025 director nomination window opens on February 13, 2025, but they are getting prepared early.

- JANA reported increasing its position in Trimble Inc (TRMB) (click here to view our report) from 1.71% to 2.0%, where they called on the Company to cease M&A activities and instead focus on organic growth in its existing businesses. On January 30, 2024, Trimble announced its plans to expand its share buyback to $800 million and add two directors to its Board.
- JANA reported decreasing its position in Frontier Communications Parent Inc (FYBR) from 3.85% to 1.57%. JANA initially announced its position in October 2023 and called for a sale of the company - on September 5, 2024, Frontier and Verizon Communications Inc. entered into a Merger Agreement pursuant to which Verizon agreed to acquire the Company for $38.50 per share.

Sachem Head

New Positions: Sachem Head disclosed three new positions. First, a $163.01 million (0.25%) position in Air Products and Chemicals, Inc. (APD). APD has gained the attention of three other activists - Mantle Ridge (1.58%), DE Shaw (0.02%) and Corvex (8,700 shares, <0.1%) (see Corvex 13F Commentary above for a description of activist campaigns at APD). Second, Sachem Head disclosed a $167.72 million (1.85%) position in Talen Energy Corporation (TLN), an independent power producer and infrastructure company, that produces and sells electricity, capacity, and ancillary services into wholesale power markets. Talen is a direct peer of PPL Corp (PPL), where Elliott has a live campaign, and both Constellation Energy Corp (CEG) and Exelon Corp (EXC), where Corvex had activist campaigns that have since been exited. Third, they disclosed a $44.15 million (3.15%) position in Integra LifeSciences Holdings Corporation (IART), a manufacturer and seller of surgical instruments, neurosurgical products, and wound care products for use in neurosurgery, neurocritical care, and otolaryngology. Integra is a direct peer of Smith & Nephew plc (SN.L), which is the subject of a live activist campaign for Cevian, a 5.11% holder. Interestingly, Integra has a 96.6 13D Monitor Company Vulnerability Rating (out of 100) signifying it is ripe for an activist.

Material Position Changes:

- Sachem Head decreased its position in US Foods Holding Corp (USFD) (click here to view our report) from 5.60% to 2.07%. This was a very successful activist campaign for Sachem Head, where they settled for board seats and ultimately had a 50.54% return versus -4.15% for the Russell 2000 over the same period.

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Sarissa

New Positions: Sarissa disclosed a small, $2.9 million (0.04%) position in Lantheus Holdings, Inc. (LNTH), a company that develops, manufactures, and commercializes diagnostic and therapeutic products that assist clinicians in the diagnosis and treatment of heart, cancer, and other diseases worldwide. Lantheus is not a development stage company, but has $1.5 billion in revenue, $548 million in EBITDA and a $6.2 billion market cap.

Starboard

New Positions: Starboard's most interesting new positions were not included in their 13F but were both presented on at the 13D Monitor Conference: (i) a position in Kenvue Inc (KVUE) (click here to view our report), a consumer health company whose brands include Tylenol, Neutrogena, and Neosporin; and (ii) an approximately $1 billion position in Pfizer Inc (PFE) (click here to view our report). Starboard disclosed two new positions in their 13F (a) a $510.19 million (0.86%) position in Autodesk Inc (ADSK), which has been an ongoing activist campaign since June 2024 (click here to view our report), where they have been seeking board seats, a CEO replacement, margin and capital allocation improvements; and (b) a $361.61 million (3.81%) position in Match Group Inc (MTCH), which they have since taken above 5% and filed a 13D (click here to view our report) – Elliott Investment Management (4.8%) and Anson Funds (0.54%) also have activist campaigns at MTCH.

Material Position Changes:

- Starboard reported increasing its position in Fortrea Holdings Inc (FTRE) (click here to view our report) from 8.93% to 9.36% and this remains a live 13D position for them.
- Starboard reported decreasing its position in GoDaddy Inc (GDDY) (click here to view our report) from 3.27% to 2.23%. Starboard exited their 13D on May 2, 2024, and made a 62.50% return on their 13D versus -8.49% for the Russell 2000.
- Starboard reported decreasing its position in Salesforce Inc (CRM) (click here to view our report) from 0.17% to 0.15%. But this is certainly a portfolio management decision as the stock has more than doubled since Starboard first purchased shares. Starboard is still excited about the prospects at Salesforce and pitched it as one of their best current ideas at our October 22nd Conference. Salesforce is a position for the following other top tier activists – Corvex, Elliott, and ValueAct – and Mason Morfit (CEO and CIO of ValueAct Capital) currently serves on the board.
- Starboard also reported exiting their position in Aecom (ACM) (click here to view our report), which they have been winding down since they exited their 13D on January 27, 2023; and Mercury Systems Inc (MRCY) (click here to view our report), a live campaign for JANA Partners (see above).

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Third Point

New Positions: Third Point disclosed (i) a $99.04 million (0.13%) position in CVS Health Corp (CVS) – on November 18, 2024, Glenview Capital Management settled for board seats for Larry Robbins (CEO of Glenview Capital), Leslie Norwalk, Guy Sansone and Doug Schulman; and (ii) a small, $1.36 million position in Clear Channel Outdoor Holdings Inc (CCO), where Legion Partners (5.31%) has a live 13D and a board seat for Ted White (co-founder, CCO and a Managing Director of Legion). Additionally, in typical Third Point fashion, they disclosed several new positions across various sectors. As a successful multi-strategy investor who occasionally uses activism as a tool, we do not expect to see a lot of activism from these positions.

Additionally, Third Point's 5.71% position in Cinemark Holdings, Inc. (CNK) (a current 13G position) remains unchanged, but Third Point has highlighted the various ways in which the company is poised for growth over the next few years as the supply of theatrical releases rebounds from pandemic- and strike-related headwinds. They believe that Cinemark will gain share from undercapitalized competitors and pointed out that while peers Regal Cinemas filed for bankruptcy and AMC became a meme stock, Cinemark has demonstrated their resilience in terms of financial performance. The company currently has a 131.09% YTD return.

Material Position Changes:

- Third Point reported decreasing its position in Bath & Body Works Inc (BBWI) (click here to view our report), which they have since sold down further to 3.65%, as of October 25, 2024. On March 6, 2023, BBWI appointed Thomas J. Kuhn as a director to the board on Third Point's recommendation, where he no longer serves.

Trian

Material Position Changes:

- Trian reported increasing its position in Solventum Corp (SOLV) (click here to view our report) from 3.10% to 4.13%. Solventum is the global healthcare company which was spun out from 3M Company (MMM) on April 1, 2024.
- Trian increased its position in U-Haul Holding Company from 1.99% to 2.29% for the Class A voting shares and from 0.52% to 0.59% for the Class B non-voting shares. Trian respects the business that CEO Joe Shoen and his team have built over the past 50 plus years and believes it is one of the few brands that define an industry. However, Trian believes U-Haul remains underappreciated by Wall Street and, as an income-oriented activist investor, will likely work with the Company to help close the valuation gap.
- Trian reported decreasing its position in Invesco Ltd. (IVZ) (click here to view our report) from 6.05% to 5.16%. On November 4, 2020, the Company announced that it would appoint Nelson Peltz, Ed Garden and Thomas M. Finke to the Board where Finke currently serves as a director. On February 1, 2022, Nelson Peltz and Ed Garden resigned from the Board in light of their appointment to the Board of Janus Henderson Group plc.

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- Trian reported decreasing its position in Wendys Co (WEN) (click here to view our report) from 15.50% to 14.97%. Trian has been involved with Wendy's for over three decades, when Nelson Peltz and Peter May were appointed to the Board, where they currently serve and where Peltz serves as Chairman, and Matthew Peltz has since been appointed to the Board.
- Trian reported exiting their position in Rentokil Initial plc (RTO.L) (click here to view our report), following the Company's September 25, 2024, announcement that Brian Baldwin (Partner and Head of Research of Trian) would be appointed as a director.
- Trian reported exiting their position in Walt Disney Co (DIS) (click here to view our report), after failing to get Nelson Peltz and Jay Rasulo elected to the Board at the 2024 Annual Meeting.

ValueAct

New Positions: ValueAct disclosed five new positions, the most noteworthy of which is an approximate $1 billion position in Meta Platforms Inc (META) (click here to view our report). ValueAct also disclosed a $438.30 million (2.73%) position in Toast, Inc. (TOST), a cloud-based digital technology platform for the restaurant industry. This is an interesting position - ValueAct disclosed the position in a 13F amendment the day after filing Q3 13F. ValueAct has extensive experience with companies in the Information Technology sector, with notable campaigns at Microsoft, Salesforce, Insight Enterprises, Seagate, etc. In their history, ValueAct has an average return of 53.38% for their seventeen campaigns at Information Technology companies versus a return of 28.18% for the Russell 2000 over the same period. ValueAct also disclosed a $102.72 million (0.02%) position in Visa, which operates in an industry with which ValueAct is well acquainted – in 2021, ValueAct took a $1.2 billion position in direct peer, Fiserv Inc (FI), and settled for a board seat for Dylan G. Haggart (a then-Partner at ValueAct).

Material Position Changes:

- ValueAct reported increasing its position in Walt Disney Co (DIS) (click here to view our report) from 0.34% to 0.41%. On January 3, 2024, ValueAct entered into a Confidentiality Agreement with Disney and agreed to support the Company's recommended slate of nominees for election to the Board at the 2024 Annual Meeting.
- ValueAct reported decreasing its position in Expedia Group Inc (EXPE) from 2.62% to 2.03%. On November 15, 2023, it was reported that ValueAct took a position in the Company and stated their belief that the Company is set to benefit from smarter pricing, better cost management and shrewd modernization of the services used to run websites.
- ValueAct reported exiting their positions in (i) Fiserv Inc (FI) (click here to view our report); (ii) KKR & Co LP (KKR) (click here to view our report); and (iii) New York Times Co (NYT) (click here to view our report).

13F ANALYSIS:
CHANGES IN ACTIVIST HOLDINGS

Carl Icahn

Total Holdings: $9.88B - Versus Previous Quarter: -$965.83 - Confidentiality: Yes

New	Increases	Decreases/Exited	Unchanged
	CENTURI HOLDINGS		AMERICAN ELECTRIC POWER
	ICAHN ENTERPRISES		BAUSCH HEALTH COMPANIES
			BAUSCH PLUS LOMB CORP.
			CAESARS ENTERTAINMENT
			CVR ENERGY INC
			CVR PARTNERS, LP
			DANA INC.
			ILLUMINA INC.
			INTL FLAV AND FRAG
			JETBLUE AIRWAYS CORP.
			SANDRIDGE ENERGY, INC.
			SOUTHWEST GAS HOLDINGS

Corvex

Total Holdings: $2.57B - Versus Previous Quarter: +$410.52M - Confidentiality: No

New	Increases	Decreases/Exited	Unchanged
AIR PRODS & CHEMS	ALGONQUIN PWR U	ILLUMINA INC	AMAZON COM INC
DOLLAR TREE INC	ALPHABET INC	LIBERTY MEDIA CORP	ARDAGH METAL PKG
FORTREA HLDGS INC	IAC INC	MGM RESORTS INTL	CHENIERE ENERGY INC
	ISHARES TR	CAE INC	COCA-COLA EUROPACIFIC
	NORFOLK SOUTHN	GRAIL INC	COCA-COLA FEMSA SAB
		LIVE NATION ENT (CALL)	CSX CORP
		REVOLUTION MEDICINES	FLYEXCLUSIVE INC (WTS)
			FOMENTO ECON MEX
			GENEDX HOLDINGS CORP
			HEXCEL CORP NEW
			MDU RES GROUP INC
			META PLATFORMS INC
			MICROSOFT CORP
			NVIDIA CORPORATION
			SALESFORCE INC
			SOUTHWEST GAS HLDGS
			STANDARD BIOTOOLS INC
			TESLA INC
			VESTIS CORPORATION

Elliott

Total Holdings: $19.31B - Versus Previous Quarter: +$1.98B - Confidentiality: No

New	Increases	Decreases/Exited	Unchanged
ALASKA AIR GROUP (CALL)	ARM HOLDINGS PLC	BILL HOLDINGS (NOTE)	AMERICAN AIRLS (PUT)
AMERICAN AIRLS (CALL)	ETF SER SOLUT (PUT)	BLACKLINE INC (NOTE)	BAUSCH HEALTH COS
EQUINIX INC (PUT)	ETSY INC	INVESCO QQQ TR	BIOMARIN PHARMA
HILTON WORLDWIDE HLDGS INC (PUT)	LIBERTY BROADBAND	ISHARES TR	BOOKING HLDG (NOTE)
HYATT HOTELS CORP (PUT)	MATCH GROUP INC	MICROSTRATEGY (NOTE)	CARDINAL HEALTH INC
ICON PLC (CALL)	SELECT SECTOR SPDR	NRG ENERGY INC	CATALENT INC
IQVIA HLDGS INC (CALL)	SOUTHWEST AIRLS CO	SEADRILL 2021 LTD	CONFLUENT INC (NOTE)
MARRIOTT INTL INC (PUT)	WESTERN DIGITAL CO	SPDR SER TR	CORMEDIX INC
SPDR S&P 500 ETF TR		VANECK ETF TRUST	CROWN CASTLE INC
TEXAS INSTRS INC (CALL)		BHP GROUP LTD (CALL)	E2OPEN PARENT
		INVESCO EXCH TRADED	HDFC BANK LTD
		MARATHON PETE CORP	HOST HOTLS&RES (PUT)
		SNAP INCV (PUT)	HOWMET AEROSPACE
		UNITED AIRLS HLD (PUT)	ON SEMICOND (NOTE)
			PARK HOTLS&RES (PUT)
			PHILLIPS 66
			PINTEREST INC
			RAPID7 INC (NOTE)
			RINGCENTRAL (NOTE)
			SENSATA TECH
			SUNCOR ENERGY INC
			TRANSOCEAN LTD
			TRIPLE FLAG PREC MTL
			UNITI GROUP INC
			UNITY SOFTW (NOTE)
			WAYFAIR INC (NOTE)

Engaged

Total Holdings: $616.54M - Versus Previous Quarter: +$32.62M - Confidentiality: No

New	Increases	Decreases/Exited	Unchanged
BLACKLINE INC	BRC INC	EVOLENT HEALTH INC	PRA GROUP INC
	NCR ATLEOS CORP	ENVESTNET INC	V F CORP
	NCR VOYIX CORP	SHAKE SHACK INC	
	NEVRO CORP	SMARTSHEET INC	
	PORTILLOS INC	UPBOUND GROUP INC	

Impactive

Total Holdings: $2.69B - Versus Previous Quarter: +$118.71M - Confidentiality: No

New	Increases	Decreases/Exited	Unchanged
CHRLS RIVER LABS	CONCENTRIX CORP	ASBURY AUTOMOTIVE	ENVESTNET INC
SITEONE LANDSCAPE	ETSY INC	CLARIVATE PLC	
	MARRIOTT VAC WORLD	SLM CORP	
	WEX INC	CROWN HLDGS INC	
		WALKER & DUNLOP	

JANA

Total Holdings: $1.92B - Versus Previous Quarter: +$216.71M - Confidentiality: No

New	Increases	Decreases/Exited	Unchanged
LAMB WESTON HLDGS	ENHABIT INC	FIDELITY NATL INFO	TREEHOUSE FOODS
	FORTREA HLDGS INC	FRONTIER COMM	WOLFSPEED INC
	MERCURY SYS INC	BLACKLINE INC	
	RAPID7 INC	QUIDELORTHO CORP	
	SPDR S&P 500 ETF TR		
	TRIMBLE INC		

Sachem Head

Total Holdings: $1.91B - Versus Previous Quarter: -$105.11M - Confidentiality: No

New	Increases	Decreases/Exited	Unchanged
AIR PRODS & CHEMS	CVS HEALTH CORP	COHERENT CORP	MOOG INC
INTEGRA LIFESCI	GDS HLDGS LTD	SPRINKLR INC	NEXTRACKER INC
TALEN ENERGY CORP	WESTERN DIGITAL CO	US FOODS HLDG CORP	SOTERA HEALTH CO
		FLUOR CORP NEW	TWILIO INC
		LAMB WESTON HLDGS	ZOOMINFO TECH
		LIBERTY GLOBAL LTD	
		SEAGATE TECHNOLOGY	
		VESTIS CORPORATION	

Sarissa

Total Holdings: $402.33M - Versus Previous Quarter: -$190.09M - Confidentiality: No

New	Increases	Decreases/Exited	Unchanged
LANTHEUS HLDGS		BIOGEN INC	AMARIN CORP PLC
		GILEAD SCIENCES INC	CYTOKINETICS INC
		BIOCRYST PHARMA	INNOVIVA INC
			IRONWOOD PHARMA
			NEUROCRINE BIOSCI
			REGULUS THERAPEUTICS
			VOR BIOPHARMA INC

Starboard

Total Holdings: $4.70B - Versus Previous Quarter: +$408.86M - Confidentiality: No

New	Increases	Decreases/Exited	Unchanged
AUTODESK INC	FORTREA HLDGS INC	GODADDY INC	ACACIA RESH CORP
HUMANA INC (PUT)		HUMANA INC	ALGONQUIN PWR UTILS
MATCH GROUP INC		ISHARES TR	ALIGHT INC
		SALESFORCE INC	BLOOMIN BRANDS INC
		AECOM	GEN DIGITAL INC
		MERCURY SYS INC	GREEN DOT CORP
			NEWS CORP NEW
			RB GLOBAL INC
			ROGERS CORP
			WIX COM LTD
			WIX COM LTD (NOTE)

Third Point

Total Holdings: $7.43B - Versus Previous Quarter: -$1.31B - Confidentiality: No

New	Increases	Decreases/Exited	Unchanged
ANSYS INC	CRH PLC	AMAZON COM INC	AURORA INNOVATION
BROOKFIELD CORP	INTERCONT EXCHANGE	AMPHENOL CORP NEW	AURORA INNOVATI (WTS)
CARPENTER TECH	LIVE NATION ENTERTA	APOLLO GLOBAL MGMT	CINEMARK HLDGS INC
CLEAR CHAN OUTDOO	TELEPHONE & DATA	APPLE INC	CORPAY INC
CVS HEALTH CORP		BATH & BODY WORKS	EQT CORP
FLUTTER ENTMT PLC		DANAHER CORP	FERGUSON PLC NEW
HAWAIIAN ELEC IND		JACOBS SOLUTIONS INC	FLYEXCLUSIVE
LPL FINL HLDGS INC		META PLATFORMS INC	FLYEXCLUSIVE (WTS)
TESLA INC		MICROSOFT CORP	GLOBAL BLUE GROUP
		PG&E CORP	GLOBAL BLUE GROUP
		TAIWAN SEMICOND	HOLDING AG (WTS)
		VISTRA CORP	HERTZ GLOBAL (WTS)
		ADVANCE AUTO PARTS	HESS CORP
		ALPHABET INC	NET POWER INC (WTS)
		AMERICAN INTL GROUP	ROPER TECHNOLOGIES INC
		ASML HOLDING N V	UNITED STATES CELLULAR
		DYNATRACE INC	
		INTL FLAVORS&FRAGRA	
		KB HOME	
		MICRON TECHNOLOGY	
		MSCI INC	
		UBER TECHNOLOGIES	
		VERIZON COMM	

Third Point
SPAC

NEW	HELD SINCE LAST QUARTER	EXITED
	JAWS MUSTANG ACQUISITION COR	

Trian

Total Holdings: $3.89B - Versus Previous Quarter: -$208.77M - Confidentiality: No

New	Increases	Decreases/Exited	Unchanged
	SOLVENTUM CORP U-HAUL HLDG CO U-HAUL HLDG CO - B	FERGUSON PLC NEW GE HEALTHCARE TECH INVESCO LTD. THE ALLSTATE CORP WENDYS CO. RENTOKIL INITIAL PLC THE WALT DISNEY CO	GENERAL ELECTRIC CO. JANUS HENDERSON

ValueAct

Total Holdings: $4.37B - Versus Previous Quarter: +$817.68M - Confidentiality: No

New	Increases	Decreases/Exited	Unchanged
LIBERTY MEDIA CORP LIVE NATION ENTERTA META PLATFORMS INC TOAST INC VISA	DISNEY WALT CO ROBLOX CORP	EXPEDIA GROUP INC FISERV INC FLUTTER ENTMT PLC KKR & CO INC NEW YORK TIMES CO SPOTIFY TECHNOLOGY	INSIGHT ENTERPRISES SALESFORCE INC

SAMPLE REPORT: KVUE / STARBOARD

Kenvue Inc (KVUE) - UTT
Monday, October 21, 2024

Under the 5% Threshold ("UTT")

Purchaser	Shares	Average Price	% of TSO
Starboard Value	n/a	n/a	n/a

UTT Summary	Starboard Value has taken a position in Kenvue.

13F Data and Activist History	**13F Holdings *($000)*:** $4,295,391	**# of Activist Campaigns:**	152	**# of Item 4 Actions Taken:**	137
	# of 13F Positions: 20	**Average Return on Activist Campaigns:**	25.10%	**Average Return on Item 4 Actions:**	25.40%
	Average 13F Position: $214,770	**Versus Russell 2000:**	13.85%	**Versus Russell 2000:**	15.15%
	Largest 13F Position: $644,394	**Average Holding Time (Mths):**	18.2	**Average Item 4 Holding Time:**	19.7

Relative Size of Investment:	n/a

Noteworthy Activist History	Starboard filed a 13D on Pediatrix Medical Group (MD) (formerly MEDNAX Inc) on February 13, 2020 and earlier, on November 27, 2019, Starboard nominated a majority slate of eight director candidates for election to the Board at the 2020 Annual Meeting. On July 12, 2020, Starboard and the Company entered into an Agreement, pursuant to which the Company accepted the resignations of five incumbent directors and appointed Thomas A. McEachin, Mark S. Ordan, Guy P. Sansone, John M. Starcher, Jr. and Shirley A. Weis to the Board as directors, where they all currently serve.

UTT Commentary

The Activist

Starboard is a very successful activist investor and has extensive experience helping companies focus on operational efficiency and margin improvement. Starboard has taken a total of 152 prior activist campaigns in their history and has an average return of 25.02% versus 13.65% for the Russell 2000 over the same period. In 51 of these situations, Starboard had an operational thesis as part of their activist campaign, and they made an average return of 36.19% versus 15.29% for the Russell 2000 over the same period.

The Company

Kenvue Inc. is a consumer health company. The Company operates through three segments: Self Care, Skin Health and Beauty, and Essential Health. Its Self Care product categories include Pain Care; Cough, Cold, and Allergy; and Other Self Care (Digestive Health; Smoking Cessation; Eye Care; and Other). The Skin Health and Beauty segment's product categories include face and body care and hair, sun, and others. The Essential Health segment's product categories include oral care, baby care and other essential health (women's health, wound care, and other). Its differentiated portfolio of brands includes Tylenol, Neutrogena, Listerine, Johnson's, Band-Aid, Aveeno, Zyrtec, and Nicorette. The Company has a global footprint through which it sells and distributes its product portfolio in more than 165 countries across its four regions. The four region consists of North America, Asia Pacific (APAC), Europe, Middle East, and Africa (EMEA), and Latin America (LATAM).

The Analysis

Kenvue is a consumer health company specializing in Self Care, Skin Health and Beauty (SHB), and Essential Health, with world-class brands that are synonymous with these three categories such as Tylenol, Neutrogena, and Neosporin. The Company was recently spun out of Johnson & Johnson ("J&J") in May 2023 which by all accounts seemed like a smart move by management as the consumer health sector lacked synergies with J&J's core competencies of pharma and medtech. Coupled with the fact that consumer health only made up 16% of total sales for J&J prior to the spin, it was hard to argue against the merit of this separation that now allows a separate company to prioritize these great brands and businesses.

At a glance, post-spin, the Company seemed poised to flourish. It has stronger brand recognition than peers like Colgate-Palmolive, Haleon, and P&G and a lower threat from private label alternatives than peers with private labels only having a 6% share of Kenvue's product categories compared to a peer median of 10%. Additionally, the Company operates in extremely attractive end markets with structural tailwinds, including an increasingly health-conscious consumer and a growing middle class in emerging markets, that provide a strong foundation for low to mid-single digit revenue growth. Despite their enticing market position and superior brand quality, the Company has traded poorly since its spin with the lowest valuation multiple of its peers at 18x – staggeringly lower than the peer median of 25x. As a result, the Company has delivered a -15% total shareholder return since the IPO compared to a peer median of 6% shareholder return over the same period.

Kenvue has struggled with its organic growth in a way they seem to have not expected. The Company missed its post spin FY23 guidance for organic growth by 75 bps, even after previously lowering their guidance by 25bps. The Company's expects a 3.3% CAGR compared to a 4% median for peers. This is not a huge difference, but an issue that can easily be identified and rectified. Self Care delivered a strong year of 8.4% organic growth and Essential Health grew ahead of expectations at 3.6% organic growth, so these sectors are not the issue. The challenge for the Company lies within SHB, which delivered only 1.8% organic growth despite peers growing 4.4% from CY19-CY23. If you were to take SHB out of the picture, Kenvue's organic growth from FY19-FY23 would have been 5.1%, significantly outperforming the consolidated market growth of 4%.

Starboard's path to value creation involves management adopting a marketing first strategy and embracing omni-channel and digital marketing. SHB has been proven to be a marketing business whose growth can be greatly aided by social media. This can make marketing an extremely powerful and profitable tool for companies that know how to use it. L'Oreal's acquisition of CeraVe in 2017 serves as a strong example of this. After acquiring CeraVe for $1.3 billion, L'Oreal launched a hyper focused digital marketing campaign that included iconic advertising material such as the witty "Michael CeraVe" campaign. While it may seem goofy, these strategies really work - just look at CeraVe's sales growth of 10x over the first five years after the acquisition. Starboard plans to tackle the issues with the SHB business head on, as it appears to be the key obstacle preventing the Company from creating immense shareholder value. There is no doubt about the strength of Kenvue's brands and products in this sector, highlighted by two shining stars, Neutrogena and Aveeno, that remain highly regarded and widely purchased. A better marketing plan will not only increase the top line at SHB but also should improve the operating margins, which are presently 12% versus a peer median of 17%.

Kenvue seems to already be making strides towards this business model, as they increased FY24 advertising spend to 11.1% of sales compared to 8.7% for FY23. This budget increase reflects a shift toward a marketing-first approach, particularly through social media, as evidenced by their recent Neutrogena Collagen Bank product launch. First, the Company introduced the product on TikTok prior to in-store distribution. Next, they partnered with major celebrity Haliee Steinfeld to be the face of the product, who currently has over 25 million social media followers. Lastly, they introduced it in the early innings of the Collagen Bank beauty trend.

As far as activist campaigns go, there are two extremes. There are *Herculean, heavy lift campaigns*, where the activist comes in pushing for a complete overhaul of the board, capital allocation, management team, operations, etc. And then there is the *pushing an open-door campaign*, situations where the activist and company are aligned, there are clear paths to value creation and engagement is constructive. By all accounts, this situation is the latter. Kenvue has a solid business with iconic brands and one underperforming segment in SHB. Starboard believes this can be remedied by embracing a marketing driven culture and this is already happening. Management has committed to prioritizing marketing, and they have already begun pushing a marketing-first mentality with increased social media campaigns and celebrity partnerships. Starboard has not made any public demands for board representation, and we expect that they will monitor the Company's progress as an active shareholder before making any decisions in this regard. However, they do not have that much time to spare as the nomination window for directors is between November 11 and December 11. It is possible that they will nominate some directors just to preserve their rights while they are talking with management and monitoring the progress.

Stock Price @ 10-21-23	$19.74	Stock Price @ IPO on 05-04-23	$22.00
One Year Return	17.15%	Spin-Off Return	5.14%

SAMPLE REPORT: KVUE / STARBOARD

Kenvue Inc (KVUE) - UTT (cont.)
Monday, October 21, 2024

Material Factors

Board Composition: The Board is not staggered. It consists of 12 directors, each of whom is re-elected at each annual meeting of shareholders. The Board and executive officers own <1% of the outstanding common stock of the Company. The size of the board will be decreased to 11 directors as of December 1, 2024.

Voting Standard for Uncontested Elections: Majority

Shareholder Rights Plan: None

Top Ten Institutional Holders: T. Rowe Price Associates, Inc.: 212,888,831 shares (11.12%); The Vanguard Group, Inc.: 211,295,322 shares (11.03%); State Street Global Advisors (US): 127,221,948 shares (6.64%); Fidelity Management & Research Company LLC: 112,882,869 shares (5.89%); BlackRock Institutional Trust Company, N.A.: 89,995,135 shares (4.7%); Wellington Management Company, LLP: 82,602,110 shares (4.31%); MFS Investment Management: 77,424,556 shares (4.04%); Geode Capital Management, L.L.C.: 44,277,231 shares (2.31%); JP Morgan Asset Management: 35,691,289 shares (1.86%); and Managed Account Advisors LLC: 35,015,253 shares (1.83%).

Proxy Timeline

Last Annual Meeting: May 23, 2024

Next Annual Meeting: tbd

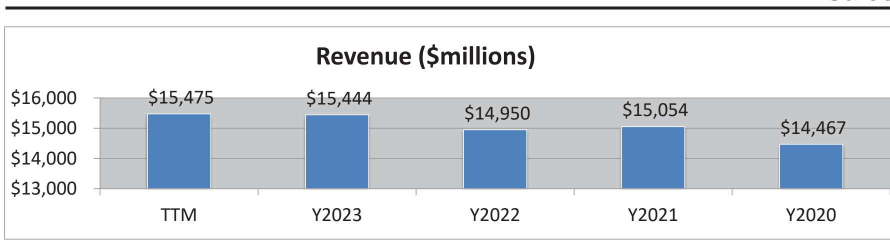
Shareholder Proposal Notification Deadlines: For proposals to be included in the Company's proxy statement at the 2025 Annual Meeting: December 11, 2024; For proposals not to be included in the Company's proxy statement (including director nominations) : Between November 11, 2024 and December 11, 2024.

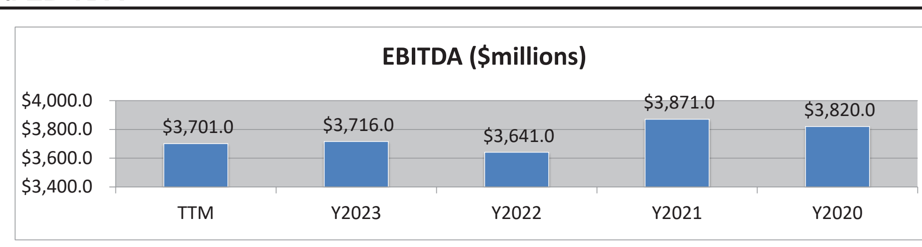
Business Overview

Kenvue Inc. is a consumer health company. The Company operates through three segments: Self Care, Skin Health and Beauty, and Essential Health. Its Self Care product categories include Pain Care; Cough, Cold, and Allergy; and Other Self Care (Digestive Health; Smoking Cessation; Eye Care; and Other). The Skin Health and Beauty segment's product categories include face and body care and hair, sun, and others. The Essential Health segment's product categories include oral care, baby care and other essential health (women’s health, wound care, and other). Its differentiated portfolio of brands includes Tylenol, Neutrogena, Listerine, Johnson’s, Band-Aid, Aveeno, Zyrtec, and Nicorette. The Company has a global footprint through which it sells and distributes its product portfolio in more than 165 countries across its four regions. The four region consists of North America, Asia Pacific (APAC), Europe, Middle East, and Africa (EMEA), and Latin America (LATAM).

State of Incorporation: DE; Principal Place of Business: Skillman, NJ.

Sales and EBITDA



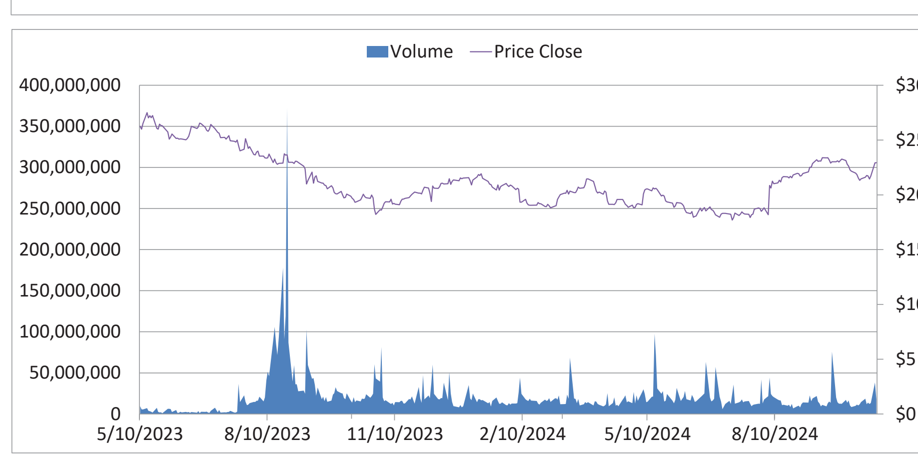


Summary Financial Information

Equity Market Cap	$44.29B
Enterprise Value	$50.33B
EBITDA (LTM Ending 06/30/2024)	$3.7B
EV/EBITDA	13.60 x

Stock Price Performance

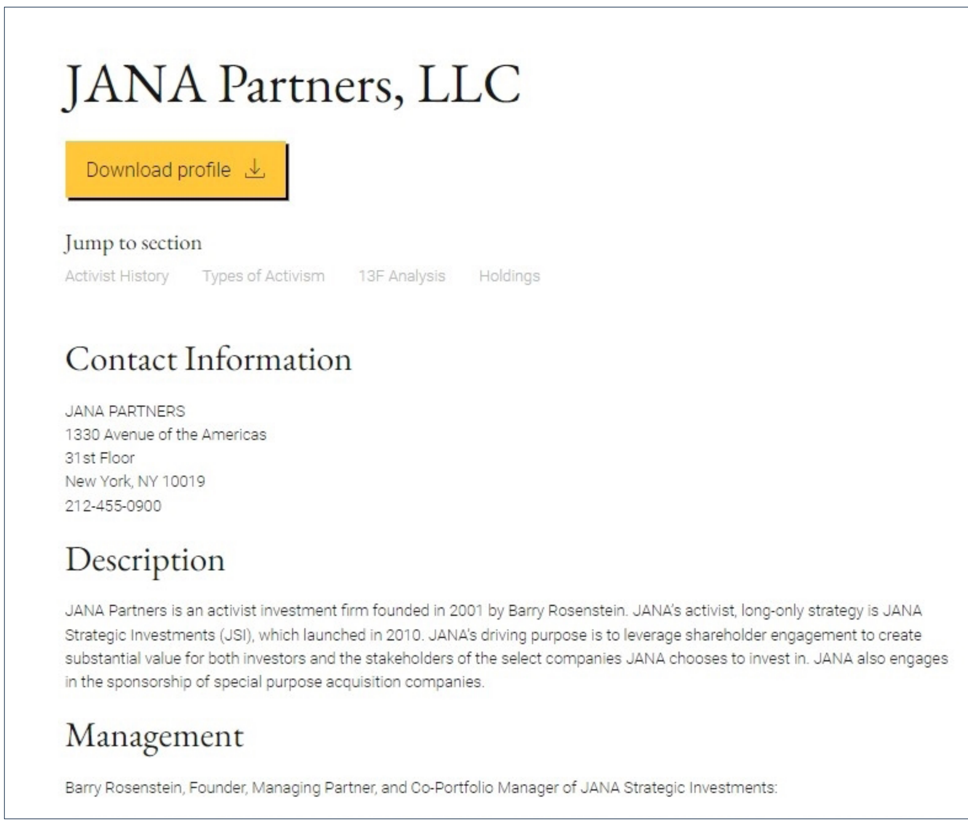
Stock Price	$23.13
52 Week High (Date)	$23.55 (09/16/24)
52 Week Low (Date)	$17.67 (07/11/24)
Average Trading Volume	12,819,170
Short Interest as a % of Float	2.36%



PEER ANALYSIS

Company Name	1 Yr Return	IPO on 05-04-23 Return	1 Yr Return Delta	IPO on 05-04-23 Return Delta
Kenvue Inc	***17.15%***	***5.14%***		
Church & Dwight Co Inc	16.62%	6.40%	0.53%	-1.26%
Kimberly-Clark Corp	21.53%	-0.14%	-4.38%	5.28%
Procter & Gamble Co	17.36%	9.02%	-0.21%	-3.88%
Estee Lauder Companies Inc	-33.53%	-55.59%	50.68%	60.73%
Colgate-Palmolive Co	38.59%	22.99%	-21.44%	-17.85%
Clorox Co	35.23%	-6.23%	-18.08%	11.37%
Coty Inc	-20.02%	-34.96%	37.17%	40.10%
Peer Average	**10.82%**	**-8.36%**	**6.33%**	**13.50%**

SAMPLE ACTIVIST PROFILE: JANA PARTNERS



JANA Partners, LLC

Download profile

Jump to section

Activist History Types of Activism 13F Analysis Holdings

Contact Information

JANA PARTNERS
1330 Avenue of the Americas
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New York, NY 10019
212-455-0900

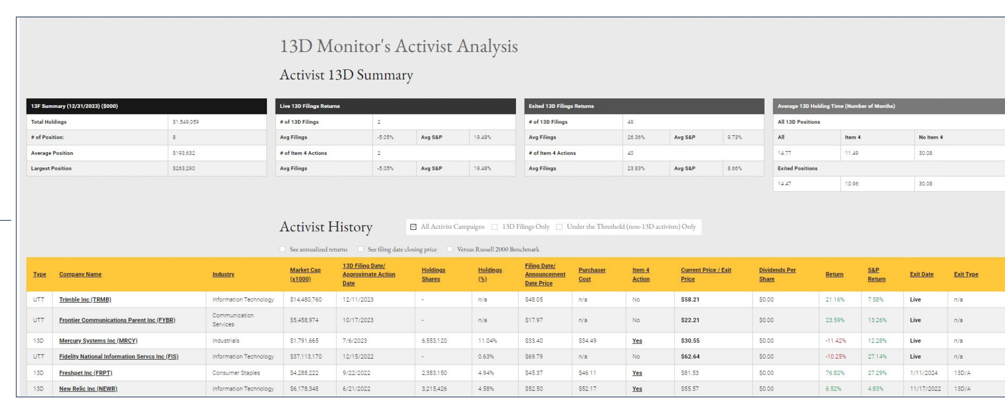
Description

JANA Partners is an activist investment firm founded in 2001 by Barry Rosenstein. JANA's activist, long-only strategy is JANA Strategic Investments (JSI), which launched in 2010. JANA's driving purpose is to leverage shareholder engagement to create substantial value for both investors and the stakeholders of the select companies JANA chooses to invest in. JANA also engages in the sponsorship of special purpose acquisition companies.

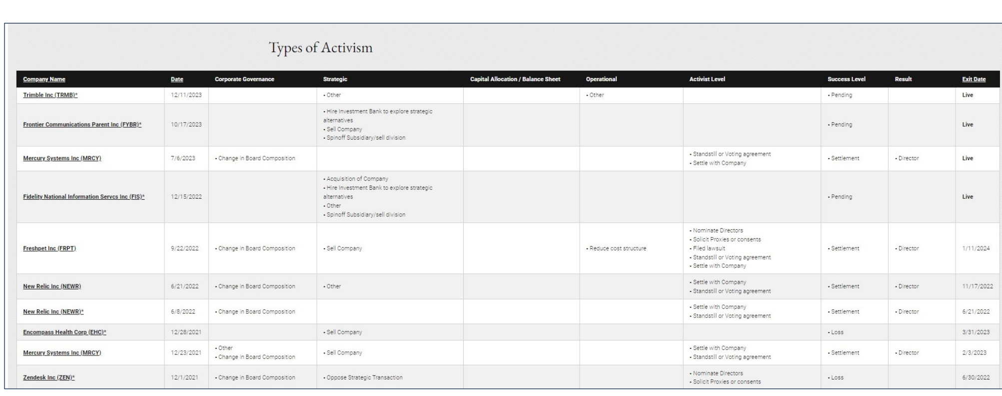
Management

Barry Rosenstein, Founder, Managing Partner, and Co-Portfolio Manager of JANA Strategic Investments

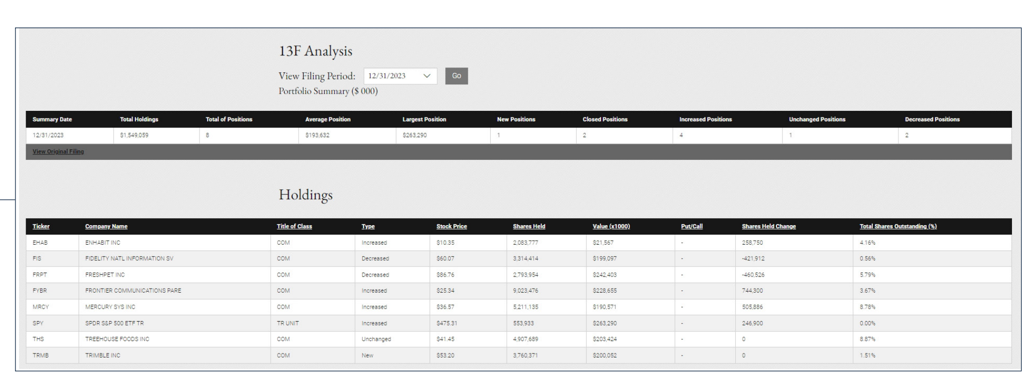
Activist Profile



Activim Analysis & History



Types of Activism



13F Analysis & Holdings

CLICK HERE TO VIEW JANA'S COMPLETE ACTIVIST PROFILE

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