

With a Hoped-For Return to Normal After COVID-19, We Expect to See a Continued Uptick in Shareholder Activist Campaigns

January 21, 2021

Much of 2020 saw a decline in shareholder activist campaign levels, presumably as activists stood back while the world dealt with and responded to a global pandemic.

But we suspected that market dislocation and volatility during the onset of COVID-19 would provide an opportunity for activist stock accumulations at attractive valuations.

Despite COVID-19 surging in winter 2020/2021, there is a sense that with the hoped-for return to normal that vaccines bring, there is a meaningful uptick in activist activity occurring and expected to continue.

Recent notable campaigns include: Intel (Third Point), Corteva (Starboard), Public Storage (Elliott), ON Semiconductor (Starboard), and Elanco (Sachem Head).

Why the recent uptick?

- Activists have record amounts of capital.
- Large accumulations in volatile times at depressed prices in 2020.
- Increased institutional shareholder support for well-run campaigns.
- Approach may coincide with Board nomination window being open.

Key themes of recent campaigns

- Large cap, marquee targets.
- Mostly the “usual suspect” activist players: Elliott, Third Point, Starboard, Trian, and the like. But some new names continue to emerge and launch campaigns to try to build their businesses.
- Key attack vectors: M&A activity such as splitting or divesting, capex or balance sheet change, operational improvements, and CEO change.
- ESG themes sometimes amplify the campaign.
- Top-tier activists increasingly seek out impressive independent Board candidates.
- ISS frequently supports the activist.
- Big impact on vote outcome of ISS recommendation and vote decision of the big three passives (BlackRock, State Street, Vanguard).

Being prepared

- Analyze and address vulnerabilities.
- Enhance communication plan and stock watch program.
- Focus on shareholder engagement with proxy voting side of major shareholders.
- Be fully aligned with the Board on Defense and Response Plan.

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