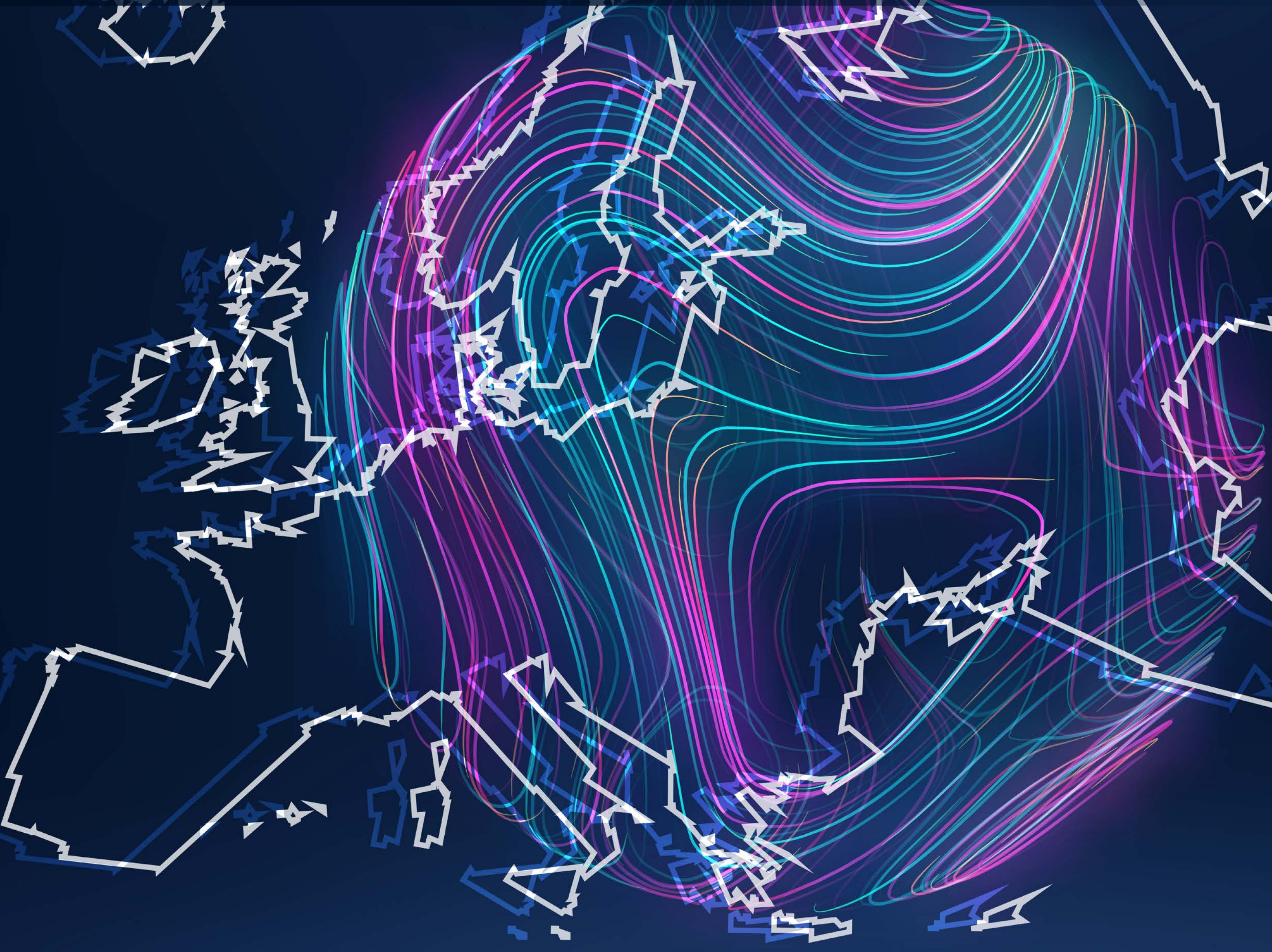
ACTIVIST INVESTORS IN EUROPE

WHO WILL THEY TARGET NEXT?

A&M ACTIVIST ALERT (AAA)

FORECAST AND OUTLOOK FOR 2023



ALVAREZ & MARSAL

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Contents

Executive summary

Six themes summarising predicted shareholder activism in 2023

A wave of activism is on the horizon – From its current suppressed levels, European activism will surge as we move through 2023.

The tenth edition of the Alvarez & Marsal Activist Alert (AAA) highlights six major themes that summarise our predictions for investor activism in 2023 and into 2024.

01. The predicted wave of activism will be partly driven by new entrants

Analysis of the activist fund universe reinforces our prediction that the current suppressed level of activism is temporary. In spite of the drop in the number of campaigns during 2022, we see a steady increase in the number of funds using activist strategies targeting European companies. Alvarez & Marsal is currently tracking 96 such funds, up from 93 in 2021 and 89 in 2020. Our analysis of these funds shows that the early dominance of US-based activist funds is giving way to a growing band of European funds, especially funds based in the UK. We also note the small but growing number of funds based in Asia/Pacific that are now targeting European companies.

The use of public activism as a tactic is gaining ground among investors, and we predict that the number of funds willing to pursue activist campaigns will continue to increase. With a growing number of funds circling the market for opportunities, there will be more pressure on corporates and their boards as financial visibility improves and activists decide on their targets.

HQ of funds adopting activist tactics against European corporates - Numbers by year

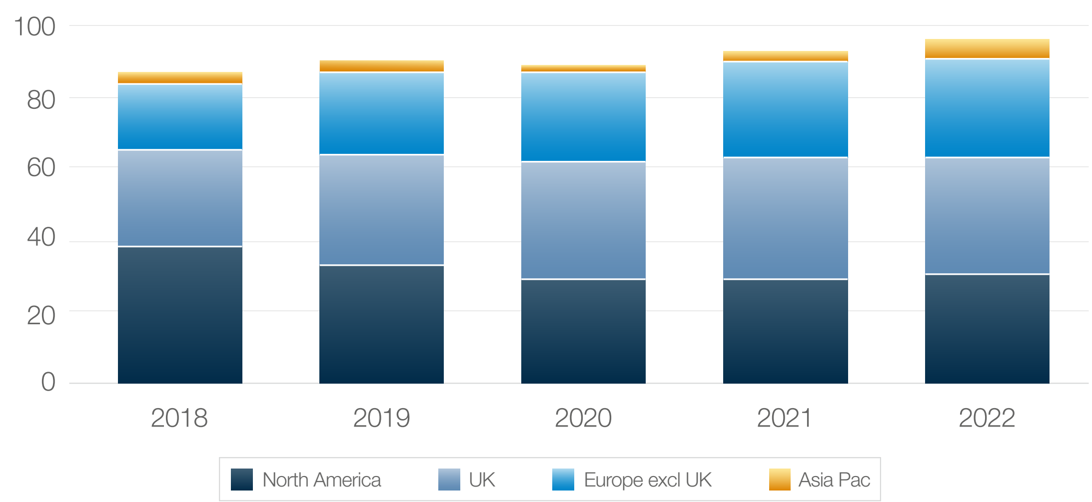


Figure 1

02. No pause in environmental and social campaigns

In contrast with the current suppressed levels of activism more broadly, environmentally and socially-focused campaigns show no signs of slowing down. Our predictions suggest that the number of environmental and social campaigns will continue to increase throughout our forecasting period (2023 and into 2024). However, we believe that tough economic conditions will encourage more investors to focus on shorter-term financial performance, making it more challenging for activists to generate wider shareholder support for long-term environmental and social goals. Successful campaigns will need to strike a careful balance between their ultimate priorities and the more immediate financial concerns that are top of mind for most investors.

Although the absolute number of "E&S" campaigns in Europe is relatively low, at the current run rate we could see a 22% year-on-year increase in the number of environmental campaigns during 2022 and a 14% increase in socially focused activism. Notable examples include Bluebell Capital Partners' campaign to persuade Glencore to divest its brown coal assets and ShareAction's effort to push J. Sainsbury to pay all its staff and contractors the UK Living Wage.

03. Financial visibility will improve through 2023 granting activists greater insights into preferred targets

Acute economic uncertainty and the resulting lack of visibility for corporate boards is giving activist investors temporary pause for thought. War in Ukraine has created a global energy shock and helped to push inflation across the industrialized world to 40-year highs, leading central banks to accelerate interest rate rises. Against this backdrop, the immediate outlook for companies across Europe and beyond has become unusually difficult to predict and activists are therefore watching and waiting longer before launching campaigns. In the first nine months of 2022, 13% fewer European companies were targeted than in the same period in 2021. In some regions, the falls were much sharper: 31% in Scandinavia, for example, and 28% in Benelux.

We believe the current suppressed levels of European activism will continue at least into the early part of 2023, with a strong resurgence of activism expected later next year and into 2024. Europe is therefore in a trough between waves of activist campaigning, providing underperforming companies with limited breathing space to address their challenges before pressures on them ramp up again. There are already signs that activism is set to rebound. Our latest predictions find a fall in the number of European companies at risk of activist campaigns of just 7%, compared with our interim snapshot in May 2022. This suggests that the 13% drop in campaigns in the first three quarters will moderate and reverse in the coming year. Overall, we have identified 144 European companies at risk of activist campaigns over the next 18 months, down from 155 in May, but with the rate of campaign launches building as we move through 2023.

04. Rising cost of capital will drive capital reallocation demands

With central banks in the US and Europe raising interest rates aggressively, the cost of capital for corporates has been rising. This will inevitably increase the pressure from activists for boards to improve capital allocation as well as encouraging a focus on asset-light operating models. We expect growing pressure on boards to lift returns on invested capital and, where companies fail to deliver on this, public calls for underperforming businesses to be sold and/or for capital to be returned to shareholders. However, a higher cost of capital will also increase borrowing costs for potential acquirers.

05. Low valuations will drive demands for M&A

Low valuation multiples will continue to offer M&A opportunities and associated demands from activists for corporates to seek buyers for underperforming business units. The increased cost of capital may reduce the number of potential buyers, but we predict that there will be sufficient interest, notably from private equity funds, to encourage activists to push for sales, or indeed acquisitions when prices fall to attractive levels. We will also see activists pursuing so-called “bumpitrage”, where they pressure corporates to demand improved offers from potential acquirers of target businesses.

06. Spotlight on consumer and energy sectors

We predict that activist campaigns will increase their focus on the consumer and energy sectors as we move through 2023. While overall we find a 7% drop in predicted targets since our interim snapshot, the number of consumer companies identified as being at risk has dropped by just one, from 32 to 31, while the number of energy companies has risen from eight to 10. In keeping with our prediction that a wave of activism is on the horizon, we see the levels of public activism in these sectors building as we move through 2023.

Our analysis shows that consumer companies focused on household and personal products, packaged foods and apparel are particularly at risk, partly because they have failed to match their success in protecting revenues by sustaining margins and cash generation. The energy sector has the biggest percentage growth in the number of predicted targets, thanks both to growing environmental activism and pressure to justify capital allocation decisions during a period of rapid revenue growth. Energy companies must balance demands for greater shareholder returns in the near-term against expectations that they should accelerate investment in renewables.

We believe the current suppressed levels of European activism will continue at least into the early part of 2023, with a strong wave and resurgence of activism forecast for later next year and into 2024.

Outlook for 2023 in more detail

Our updated Alvarez & Marsal Activist Alert predicts that the slowdown in activist campaigns that began with the Russian invasion of Ukraine will continue into the early part of 2023.

However, we expect a wave of activism to build throughout the year, with activity returning to its early 2022 levels later in 2023. In our outlook for 2022, we correctly predicted the beginning of a "golden age of activism" in Europe, and the year began with a stream of campaigns. In the first two months of the year, 30% more companies were targeted than in the same period of 2021, with the UK registering a 50% increase.

However, war prompted a downturn in activism through the remainder of the year. We expect that the drivers of activism will reassert themselves during 2023, mirroring the rebound in activity in the early months of 2022 when the pandemic receded.

Countries and sectors

Our analysis suggests that the suppressed levels of activism against UK companies will continue through the early part of 2023. The number of predicted **UK** targets now stands at 52, down by seven (13%) from our interim snapshot but weighted more towards the later part of 2023. This decrease is almost twice as big as the decline that we predict for Europe overall and reflects a relatively strong performance by UK companies in areas including shareholder returns, cashflow margins and asset turnover. However, their performance in protecting revenues and managing indirect cost bases has been relatively weak and these areas stand out as a potential focus for activists.

Thanks to the growing acceptance of activism among market participants and depressed valuations among industrial and consumer companies, **Germany** is again the second biggest predicted market for activists. Our updated predictions have identified 29 potential targets, up by one since May. German companies, like their UK counterparts, trade on a low average forward earnings multiple (around 9.5x), offering M&A opportunities that are likely to attract activist attention.

We also expect an increase in campaigns against **Swiss** companies. Unlike most other countries, Switzerland saw an increase in activist campaigns during the first nine months of 2022, partly due to the entry (or re-entry) to the Swiss market of funds such as Petrus Advisers and Third Point Partners. Our updated predictions have identified 12 likely Swiss targets, up from 11 in May. We also note that Swiss Corporate Law reform, which comes into force on January 1st, 2023, will increase the rights of shareholders and therefore strengthen the activists' hand.

From a sector perspective, we have previously noted the continuing appeal of **consumer** companies for activists. We expect this to persist and indeed increase compared with other sectors. Activists' other major area of interest historically, being the **Industrial** sector, has seen suppressed activity roughly in line with the European market overall.

However, we predict that the rising cost of capital will increase pressure on these asset-intensive companies as 2023 progresses. Elsewhere we predict a decrease in campaigns against **healthcare** and, to a degree, **technology** companies. Nevertheless corporates should expect continued pressure from investors to ensure that they robustly manage their performance, and in particular their cost bases.

“Campaigns with an environmental or social angle continue to increase as a proportion of activism overall, and this trend shows no sign of slowing down. However, the success of this approach will be tested as the recession bites and short-term financial performance becomes more of a focus potentially at the expense of broader sustainability and social concerns. As ever, though, boards need to strike the right balance between these often-competing priorities to avoid being targeted. Activism driven by M&A opportunities and wider capital allocation demands is also expected to rise next year. Corporates should focus on optimising capital allocation and, where possible, driving asset-light operating models to avoid activist attention.”

Malcolm McKenzie
Chairman, European Corporate Transformation Services

Activism in the News

By the end of February 2022, the "Golden Age" that we predicted a year ago was well under way. Major names including Vodafone, Unilever, Siemens, RWE, Ericsson, Orpea and SAS became targets, and the number of campaigns was 30% higher than in the same period of 2021.

However, Russia's invasion of Ukraine and the ensuing price shocks in energy, food and commodities cast a chill over the market and the tempo of activist campaigning slowed. In spite of this slowdown, the Alvarez & Marsal Activist Alert continued its strong record of identifying companies at risk of becoming targets with correct predictions including Vodafone, Unilever, J Sainsbury, Deutsche Telekom, TotalEnergies, Shell, Compagnie de Saint-Gobin, RWE, Glencore, Orpea and Tele2.

Global consumer goods giant Unilever became a focus in January, when it was criticised by high-profile UK investor Terry Smith for "publicly displaying sustainability credentials at the expense of focusing on the fundamentals of the business". Smith's comments highlighted the growing potential for tensions between companies' ESG agenda and their shareholders' desire to see stronger financial returns. Also in January, it emerged that Trian, the activist fund managed by Nelson Peltz, had taken a stake in Unilever amid reports that shareholders were unhappy with the group's performance under CEO Alan Jope. In May, Peltz joined the board and in September the group announced that Jope would retire by the end of 2023.

Vodafone also found itself in the activist crosshairs in January, when Swedish fund Cevian Capital went public with its call for the communications group to merge its mobile operations with rivals in weaker markets such as Italy, Spain and the UK, and overhaul its board. However, Cevian sold most of its stake by the end of June as the worsening economic environment made it less likely that Vodafone could achieve deals at attractive valuations.

The growing cost-of-living pressures on millions of workers prompted a group of 10 institutional investors, led by ShareAction, to submit a resolution to J Sainsbury's AGM, calling on the supermarket group to gain accreditation as a Living Wage employer. "Sainsbury's has an opportunity to be a leader and set the expectations for the sector – that all workers should earn at least the real Living Wage," the activist said as it announced the resolution.

French oil and gas giant TotalEnergies was targeted by Clearway Capital in March as the activist fund urged the company to exit Russia following the invasion of Ukraine. In addition to activist pressure, the company's AGM in July was blockaded by climate protesters.

From the above it is clear that the range of activist challenges being faced by corporates and their boards is widening and becoming more commonplace as an accepted tactic.

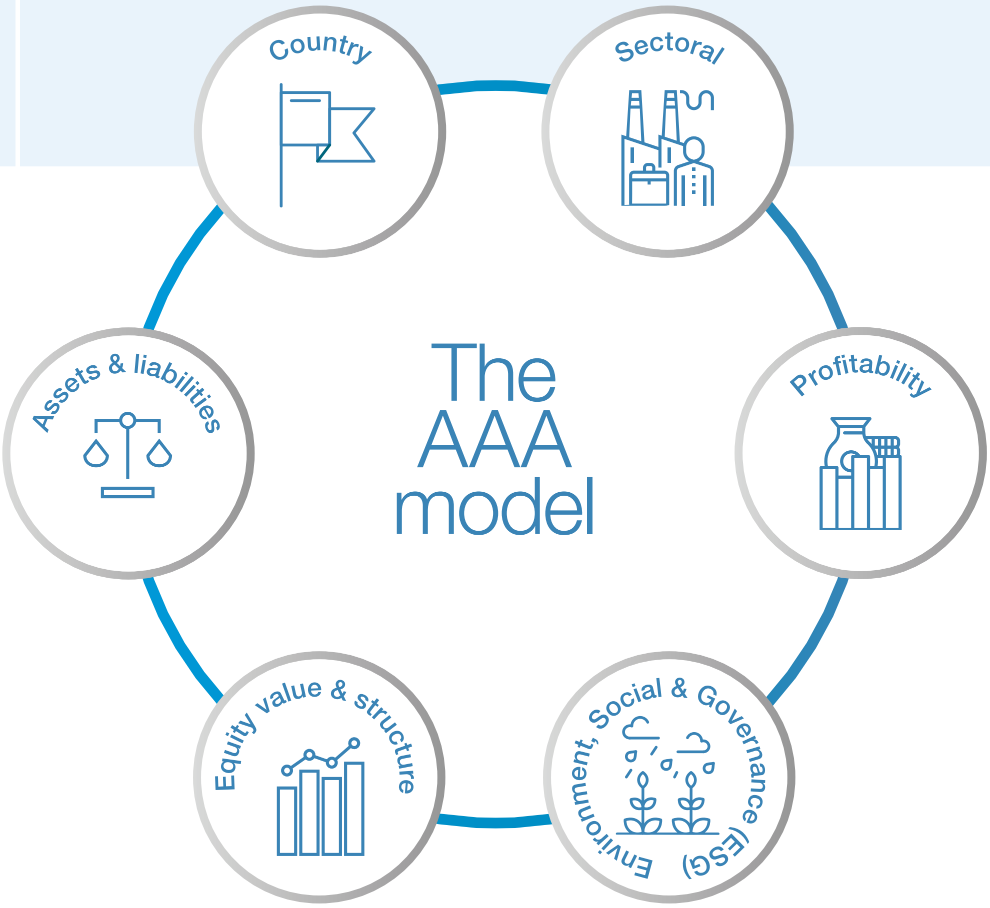
Forecast and Outlook for 2023

The AAA model analyses corporate performance, market positioning and relative strengths over time across 45 variables broadly grouped under the following headings:

- Country
- Sectoral
- Profitability
- Assets & liabilities
- Equity value & structure
- ESG

In this Outlook we focus on the country and sectoral trends and update on the growing focus on environmental and social issues.

We have previously demonstrated that ESG ratings are a significant predictor of potential activism and this effect is apparent once again.



Country trends

Our updated predictions identify

52

UK companies at heightened risk of activist campaigns, **down from 59** in our interim snapshot in May 2022

Although the **UK** has seen the largest decline in predicted targets since our interim snapshot published in May, it nonetheless remains the most attractive market in Europe for activists. Our latest predictions find 52 UK companies at heightened risk of activist campaigns, down from 59 in our May update. Some 18 of these companies have a red alert against their name (down from 21), indicating that we expect to see them targeted in the next 6-12 months unless corrective action is taken immediately. The remaining 34 (38 in May) have amber alerts, which puts the predicted campaign between 12 and 18 months away, potentially giving them longer to address areas of underperformance.

It is also significant that the UK equity market trades on a forward price-to-earnings multiple of around 9x. In conjunction with a period of relative weakness for sterling, this creates attractive opportunities for M&A, especially cross-border, and the kinds of asset disposals that can create “bumpitrage” opportunities for activist funds.

The total number of predicted targets among German companies **has increased by one to a total of**

29 since our interim snapshot

The total number of predicted targets among **German** companies has increased by one to 29 since our Interim Snapshot, bucking the overall lower trend and demonstrating that heightened activist interest in German companies has not succumbed fully to the uncertainty that has suppressed activity elsewhere. There are a number of likely explanations for this, including the growing acceptance of shareholder activism in Germany among market participants, as well as depressed valuations, particularly in the industrial and consumer sectors. Compared with their global peers, German companies have successfully protected revenues but have fared less well at maintaining margins and generating cash. Returns on capital employed have also underperformed.

Our updated predictions **identify**

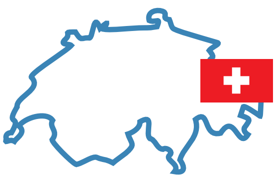
23

French companies at risk of activist campaigning, unchanged from the interim snapshot

Our updated predictions identify 23 **French** companies at heightened risk of activist campaigning, unchanged from the Interim Snapshot. Again, this stands out from the general drop in the number of predicted targets. The French companies we have identified offer activist funds a range of value opportunities including relative underperformance in sustaining revenues and shareholder returns, as well as weak returns on capital and cash margins. The relatively overweight presence of French companies in the consumer sector also helps to explain the country’s continuing attraction for activists.

Switzerland is the only country apart from Germany **to record an increase in the number of predicted targets, from 11 in May to**

12



Switzerland joins Germany as the only countries to record an increase in the number of predicted targets, from 11 in May to 12 in our latest Activist Alert. Swiss companies have performed relatively well against their international peers in terms of returns on capital employed, asset turnover and earnings per share, but they have been less successful in maintaining operating and cashflow margins. However, an important factor for next year will also be a major reform of Swiss corporate law, which comes into force on January 1st. This will enhance shareholder rights and make Switzerland a more attractive market for activists. Changes under the new law include the threshold to convene a shareholders’ meeting falling from 10% to 5% of the voting rights, plus investors having the right to add items to the AGM agenda with just 0.5% of the votes.

Sector trends

Consumer companies risk of public activism **has declined marginally from 32 in May to**

31

The number of **consumer** companies identified as being at heightened risk of public activism has declined marginally from 32 in May to 31 in this refreshed outlook. This drop is much smaller than the average across all sectors in this latest outlook and reflects what we see as heightened opportunities for activists in that space. These opportunities result from an underperformance by European consumer corporates against their global peers across various metrics including shareholder returns, margins, cash generation and returns on capital.

Industrial companies still make up the largest group of predicted activist **although their numbers have declined from 52 in May to**

48

Industrial companies still make up the largest group of predicted activist targets in this refreshed outlook, although their numbers have declined from 52 in May to 48 currently. While European industrials have underperformed their global peers in areas such as cashflow margins, return on capital, leverage and asset turnover ratios, they have outperformed in terms of shareholder returns, revenues, revenue per employee and operating costs. In addition, the increasing cost of capital will present challenges for asset-heavy corporates, and we predict pressure from activists to lift returns on the existing capital base or to adopt more asset-light business models or to sell underperforming divisions.

Energy companies at heightened risk **has increased by 25% from eight in May to**

10

The largest percentage sectoral increase (albeit from a lower base) is in the number of **energy** companies predicted to be at risk. This has increased by 25% from eight in May to 10 now. One driver of this predicted increase is the continuing growth in environmentally focused demands as we have already seen with oil and gas producers such as Shell, BP and Equinor. In addition, the energy price shock caused by war in Ukraine has generated windfall profits for Europe's energy companies. This will inevitably lead to competing investor demands around these companies' capital allocation decisions, with calls to increase investment in renewables or in fossil fuel production, or to return cash to shareholders.

European technology companies' **targets have fallen to**

18

from 20 in May.

European technology companies have performed relatively well against their global peers in 2022. In addition, the high susceptibility of technology share prices to increasing interest rates creates additional uncertainty for activists, and as a result the number of predicted targets has fallen to 18 from 20 in May. However, whilst broader activism in the technology sector may remain subdued, we forecast an increase in activists focusing on corporate cost bases and demanding hard action to cut unjustifiable spend.

The healthcare sector has seen the number of predicted targets **drop down from 18 in our Interim Snapshot to**

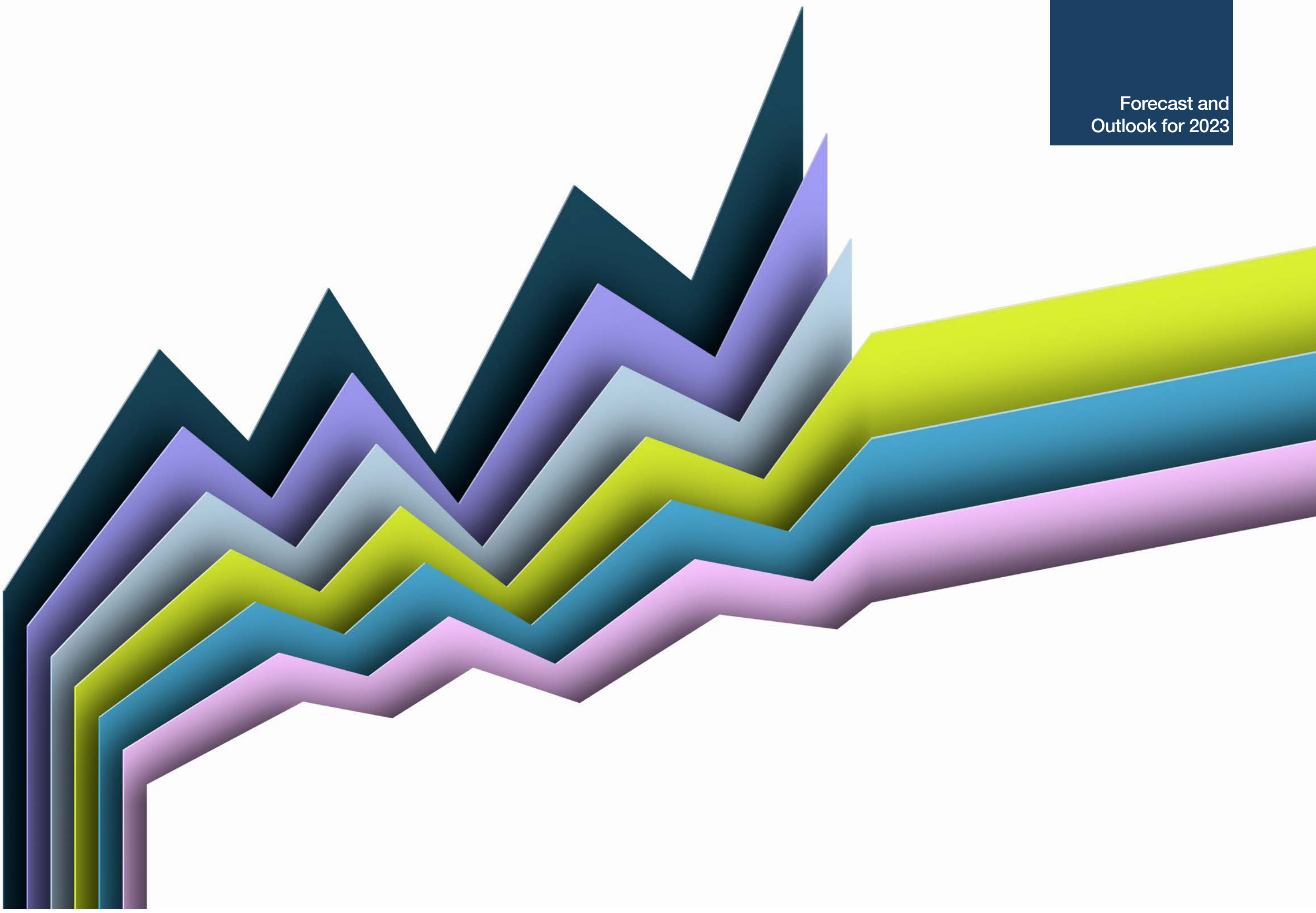
15

The **healthcare** sector has seen the number of predicted targets drop further than average, down from 18 in our Interim Snapshot to 15 – the largest percentage reduction of any sector – thanks to improvements across a range of indicators. However, weaknesses remain in areas such as returns on capital and cash generation.

We predict a decrease in the number of communications companies **at risk from nine to**

8

Finally, after a busy period in which major names including Vodafone, United Internet, Tele2 and Telecom Italia were targeted by activists, we predict a decrease in the number of **communications** companies at risk from nine to eight. Nevertheless, investors' desire to see greater operational leverage and economies of scale – areas in which European companies lag their US peers – will continue to drive activist campaigns. Consolidation will remain among the preferred solutions.



> “Boards should not be lulled into a false sense of security by the suppressed level of activism for much of 2022. While market uncertainty caused by macroeconomic turmoil has given activists pause for thought, they have not gone away. Funds have been busy raising money, plotting their strategies and identifying targets for the year ahead. Corporates therefore need to act now and address areas of vulnerability before the wave of activism builds and threatens to overwhelm them in 2023. While the barbarians are not yet at the gate, they are watching and waiting on the hill.”

Malcolm McKenzie
Chairman, European Corporate Transformation Services

Environmental and social activism

Although the overall numbers are relatively small, the first nine months of 2022 saw a 22% increase in the number of European companies targeted by activist investors with environmental demands, compared with the same period in 2021. As mentioned above, notable targets have included the commodities group Glencore and the oil and gas major Shell. We have also seen a 14% increase in the number of corporates targeted by activists with socially focused demands, such as ShareAction's living wage campaign against J Sainsbury in the UK. Our predictions and further private conversations with market participants indicate that the number of environmental and social campaigns will continue to grow through 2023 and into 2024.

As illustrated in figure 2 below, 11% of the activist demands tracked by A&M in 2022 so far, have been based on environmental or social aims, compared with 3% in 2017. One factor in this increase has been the growing range of activist funds that are now campaigning on these issues: from established financially focused funds to specialist environmentally and/or socially focused organisations that use shareholder leverage to advance their objectives. Companies therefore face a more complicated challenge in responding to environmental and social campaigns from a wider variety of funds. Their task is likely to become more complex during 2023, when fund manager BlackRock plans to allow retail investors in its UK funds to say how they wish their shares to be voted on resolutions put to shareholders, including those covering environmental and social issues.

Activist demands against European corporates: Breakdown by type and year

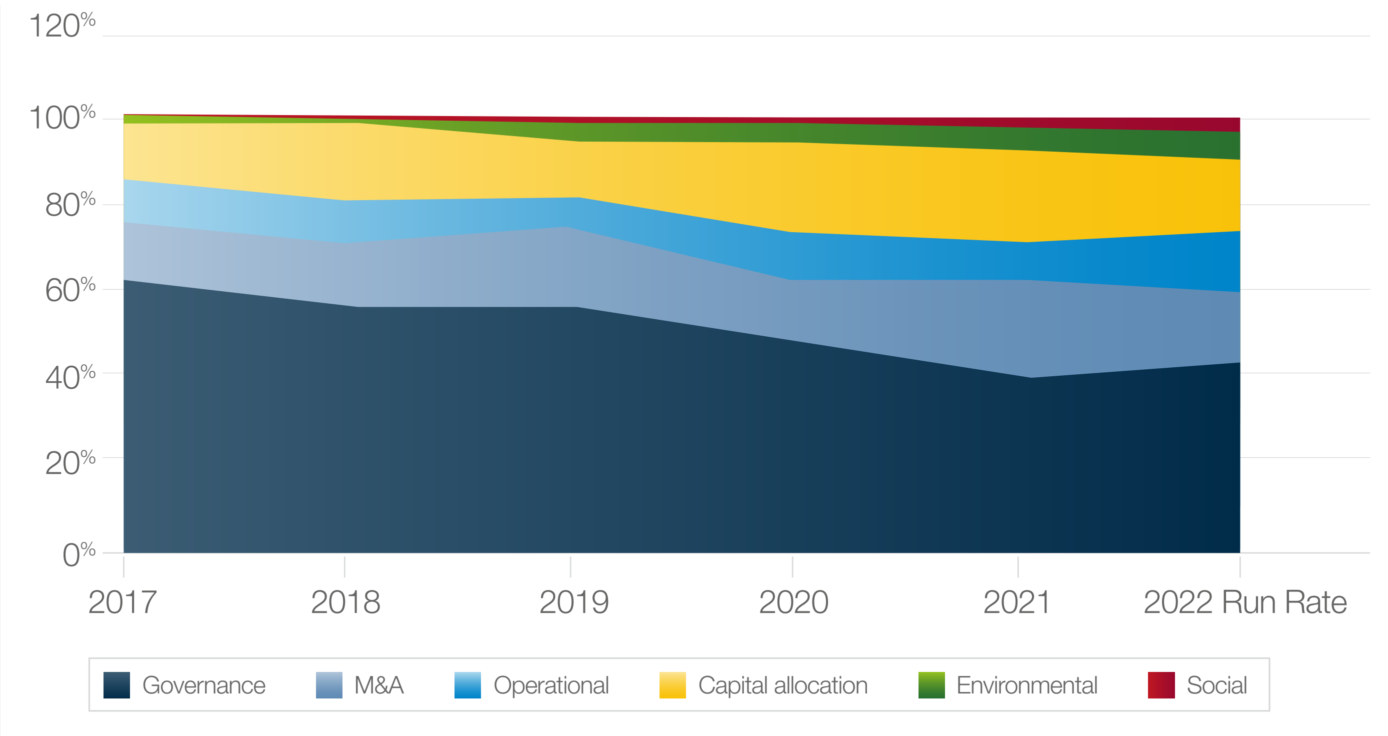


Figure 2

Environmental and social activism

However, we have also observed a shift in the dynamics of environmental and social campaigns over the course of 2022, as economic turbulence and uncertainty have forced investors and boards to focus more intently on short and medium-term financial performance. This has led some investors to place less emphasis on longer-term environmental and social goals, at least temporarily. The challenge facing activists while the current economic uncertainty persists is to strike a balance in their campaigning between social and environmental aims and short-term commercial imperatives. Success in this will be vital if they are to persuade a large enough group of fellow investors to support their cause.

Companies in all sectors and most geographies have faced environmental and social demands during 2022. The energy and materials sectors have been a prime focus of environmental activism and consumer companies most at risk of socially focused campaigns. How consumer corporates respond to the cost-of-living crisis will be in the spotlight in 2023.

UK, Scandinavia, Switzerland and Benelux corporates have seen the greatest number of environmental demands, while social campaigns have principally targeted companies in the UK, Scandinavia and France. We have not seen any significant environmental or social campaigns against Italian and Spanish companies over the past two years, and it is notable that companies from these countries have, on average, the highest ESG ratings in our European sample.

The red & amber alert lists

Who will the activists target next?

The AAA model has identified **144** corporates considered to be at heightened risk of public shareholder activism over the next 18 months.

In the data we publish, we do not disclose the names of the companies we identify as being at heightened risk (keeping these confidential to our discussion with the individual companies and their advisers), although the country and sector trends are included. Of the 155 companies we identified in our May 2022 Interim Snapshot as being at heightened risk over the following 18 months, **34** have already been publicly targeted by activist investors.

In the 18 months to 31 October 2022, the predictive accuracy of the AAA model was **47%**.

What do red and amber alerts mean?

Red alert

6-12 Months

A **Red alert** indicates that a company is predicted to become a target within the next 6-12 months unless corrective action is taken.

Amber alert

12-18 Months

An **Amber alert** signals a medium-term predicted risk of becoming a target within 12-18 months unless corrective action is taken.

On the following page, we summarise and illustrate comparative data from our predictive analysis of the corporates identified as being at heightened risk of activist approaches across countries and sectors.

You can view all previous Outlooks **here**

Number of predicted activist targets identified:

Changing profiles since May 2022 Interim Snapshot

Countries (as at 31 October 2022):

Country	Red	Total	Amber
U.K.	18 ▼	Total: 52 ▼	34 ▼
Germany	12 ▲	Total: 29 ▲	17 ▼
France	8 ▼	Total: 23 –	15 ▲
Scandinavia	3 ▼	Total: 10 ▼	7 ▼
Benelux	3 –	Total: 10 ▼	7 ▼
Switzerland	4 ▲	Total: 12 ▲	8 –
Italy	2 ▼	Total: 5 ▼	3 –
Spain	1 –	Total: 3 ▼	2 ▼
	Total: 51 ▼	Total: 144 ▼	Total: 93 ▼

Sectors (as at 31 October 2022):

Sector	Red	Total	Amber
Industrial	14 ▼	Total: 48 ▼	34 ▼
Consumer	12 –	Total: 31 ▼	19 ▼
Technology	4 ▼	Total: 18 ▼	14 ▼
Healthcare	6 ▼	Total: 15 ▼	9 ▼
Materials	5 –	Total: 10 ▼	5 ▼
Communications	3 –	Total: 8 ▼	5 ▼
Energy	5 ▲	Total: 10 ▲	5 ▲
Utilities	2 –	Total: 4 ▼	2 ▼
	Total: 51 ▼	Total: 144 ▼	Total: 93 ▼

● **Red** alert indicates that a company is likely to become a target within the next 6-12 months.
● **Amber** alert signals a medium-term risk of becoming a target within 12-18 months.

Indicators showing change compared to our May 2022 Interim Snapshot ▲ ▼ – up arrow: higher, down arrow: lower, level: level

Methodology

A&M's Activist Alert model is based on an extensive and rigorous analysis of activist activity in eight European countries and regions from 1 January 2015 to 1 November 2022. The latest analysis includes listed corporates in the UK, Germany, France, Scandinavia, Switzerland, Benelux, Italy and Spain. We gather data via the A&M Global Insight Center on corporates listed and headquartered in those countries or regions with a market capitalisation of $200 million or more.

The total number of European companies analysed for this Outlook was **1,611**. Importantly, as part of the analysis of these European corporates, their performance and position across a wide range of metrics was compared to their global peers. Taking this global comparative analysis into account, we analysed a total of **5,344** global corporates.

In order to refresh our predictive model, our research team analysed **207** situations in which activist investors had made public demands to European corporate boards **since October 1, 2019**. We then compared those **207** publicly targeted companies with the **1,404** European corporates in this analysis which had not experienced such activist campaigns. We have focused solely on public campaigns because we cannot track private discussions between boards and activist shareholders in a robust and consistent way. In addition, private campaigns do not bring the high level of financial and reputational risk to the target company that comes with public campaigns.

The total number of European companies analysed for this Outlook was

1,611

and their performance was compared to

3,733

of their global peers

What we measure

We analyse each company using 45 quantitative and qualitative variables derived from publicly available information. Most of the quantitative variables assess a company's relative performance against global sector peers.

The variables analysed can be broadly grouped into the following categories: Country; Sector; Environment, Social and Governance; Profitability; Assets & Liabilities; and Equity Value & Structure.

Our predictive model calculates a AAA score for each company on a logarithmic scale between zero (low risk) and one (high risk) and calculates the probability that it will be targeted by activists if appropriate corrective action is not taken and the required results delivered. Over our past 10 editions, the predictive accuracy of the AAA has been between 47% and 58%. If a company is on our red or amber alert list, there is therefore broadly an evens chance that it will suffer a publicly announced activist intervention within 18 months. Of course, many activist interventions are not disclosed publicly, and taking those into account, we would expect that the predictive accuracy is in fact higher.

Most importantly, it identifies the key steps the company could take to reduce its AAA score and probability of being targeted.

How A&M can help

The A&M Activist Alert model is a valuable early warning system against public activist campaigns. Our model produces detailed results showing the actions individual companies should take to improve performance and shareholder returns.

The key factors driving our AAA predictions and conclusions are different for each business and we work hard to understand what they are and tailor a transformation programme accordingly. In predicting and avoiding a public campaign by an activist investor, A&M supports boards during three key stages:

Stage 01 Current position/ AAA score

Adopting a focused "outside-in" perspective, we assess how an activist would view the corporate, provide the company's AAA score, predict the probability of public activist action and the type of funds that might be attracted, discuss the key variables driving the company's score and benchmark these variables against sector peers. This can help pre-arm a board against private approaches from activists seeking non-public discussions.

Stage 02 Corporate transformation/ route planning

Using these insights, we create a robust transformation programme to deliver measurable benefits in a timeframe that meets investors' expectations. This may include assisting in identifying potential disposals and/ or improving underperforming and non-core business units or assets.

Stage 03 Transformation implementation

We work with the board, the management, and other advisors to deliver the benefits set out in our transformation programme on time. Our unique restructuring heritage and experience, together with our intimate understanding of activists, ensures that the transformation is robust and sustainable, and factors in the myriad interests of all key stakeholders – unravelling the Gordian knot.

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