



ACTIVIST INVESTORS IN EUROPE

HOW SUCCESSFUL HAVE THEY BEEN AT
CHOOSING THEIR TARGETS AND CAMPAIGNS?
...AND WHO WILL THEY TARGET NEXT?

A&M ACTIVIST ALERT (“AAA”)
REVIEW OF 2023 AND OUTLOOK FOR 2024

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EXECUTIVE SUMMARY

ON AVERAGE ACTIVISTS CHOOSE THEIR TARGETS WELL, WITH THEIR CAMPAIGNS BEING ASSOCIATED WITH SHAREHOLDER RETURNS THAT EXCEED THE BROADER MARKET.

THIS IS ONE REASON WHY SHAREHOLDER ACTIVISM IS RISING ACROSS EUROPE - AND THERE IS MUCH MORE TO COME.

Market conditions are aligning and combining with a history of activist successes in laying a foundation for further increases in shareholder activism across Europe. This twelfth edition of the Alvarez & Marsal Activist Alert (AAA) highlights six major themes that drive our predictions for an increasing number of public campaigns through 2024 and into 2025.

01 ALL SHAREHOLDERS BENEFIT FROM INCREASING ACTIVIST CAMPAIGNS CREATING A FINANCIAL INCENTIVE TO HEAR THEIR CONSTRUCTIVE CHALLENGES

Our analysis of 550 public campaigns launched by shareholder activists against corporates in Europe and the U.S. shows that, on average, targeted corporates outperform the broader market in delivering shareholder returns – two years after campaign launch, the average outperformance was 6.3%.

It is also notable that the most successful campaign strategy for activist investors over recent years has been a focus on enhanced operations, strategy and associated internal capital allocation. The second most successful has been a push for M&A and portfolio actions. Whilst the M&A market has been subdued, a mindset of “if you can’t sell, fix” has been prevalent.

02 EQUITY MARKETS ARE FORECAST TO RISE, ALBEIT GENTLY, THROUGH 2024

Falling stock markets deter activists from making investments and launching associated campaigns. Stock market declines in the first half of 2023 saw many activists keeping their powder dry and awaiting a rising tide (or at least one that was no longer falling).

However, October 2023 onwards saw increases across the major Western stock market indices, and consensus forecasts suggest that markets will continue to rise, albeit gently and likely erratically, through 2024. This is predicted to provide enough comfort for activists to invest further and push for changes in corporates – changes that would build on a more positive market sentiment.

03 SHAREHOLDER ACTIVISM IN EUROPE IS BUILDING STEADY MOMENTUM WITH INCREASING NUMBERS OF CAMPAIGNS BEING LAUNCHED

The second half of 2023 saw momentum steadily building following a slow start to the year. From 1 July 2023 onwards we noted 74 new public campaigns by activists against European corporates, compared to 39 in the same period in 2022. Our discussions with market participants suggest that this momentum is being matched by a growing belief within the wider activism eco-system that 2024 will be a year when yet more opportunities present themselves. Anecdotally we hear that the potential pipelines for activist investment are significantly more developed than they were at this time last year.

04 LOWER MARKET VALUATIONS IN EUROPE OFFER GREATER POTENTIAL FOR BUYING LOW, PUSHING FOR CHANGE AND THEN SELLING HIGH

Compared to other major economies, European countries exhibit low corporate valuations as measured by Price to Earnings (PE) ratios. The average PE ratio for listed European corporates is 12x which compares to 19x for the US, 14x for Japan, and 22x for India. Such lower valuations offer greater potential for activists to invest in undervalued corporates and seek value accretive change, which may include opportunities to move the stock listing to alternative global markets. Campaigns to drive up earnings can combine with opportunities to enhance the corporate equity story, with the result that the PE ratio accelerates through a rerating. The potential increases in value then become exponentially higher.

05 THERE ARE SIGNS OF SOME RESURGENCE IN M&A WHICH BRING FURTHER VALUE REALISATION OPPORTUNITIES

Considerable uncertainty remains in what has been a subdued M&A market in Europe. However, as markets start to return and visibility improves, potential sellers and buyers will gain greater insights into the financial forecasts underlying proposed deals and will be better able to price the associated risks. Lower interest rates will also support increased dealmaking, however tentatively. There are already early signs of a mild resurgence in M&A activity, particularly in the energy and technology sectors.

An improving M&A market adds another potential lever of change for activists to campaign for, and one that is historically associated with enhanced shareholder value.

06 CAPITAL ALLOCATION WILL BE AN INCREASING FOCUS WITH INTERNAL VERSUS EXTERNAL OPTIONS ATTRACTING COMPETING DEMANDS

Whilst interest rates may have now peaked, and some decreases are being forecast through 2024, it seems likely that higher rates will subsist in the short to medium term. As a result, costs of capital will remain relatively high and create greater challenges for corporates in allocating their capital efficiently to maximise shareholder returns.

At the heart of such allocation challenges will be internal vs external options – which combination of internal (Capital Expenditure, R&D, Working Capital etc.) and external (M&A, dividends, share buybacks, deleveraging etc.) alternatives will be of greatest value to shareholders. These capital allocation decisions will be a key area of focus for investors and will inevitably draw criticisms some of which will translate into public activist campaigns.



FAVOURABLE CONDITIONS FOR ACTIVIST CAMPAIGNS ARE EMERGING AS MARKETS RECOVER AND MACROECONOMIC CHALLENGES BEGIN TO RECEDE. HIGHER COSTS OF CAPITAL WILL BE A MAJOR CATALYST FOR CAMPAIGNS BEING LAUNCHED, AND EUROPEAN CORPORATES AND THEIR BOARDS SHOULD EXPECT INCREASED SCRUTINY AND CHALLENGE FROM ACTIVISTS OVER THE NEXT 12 MONTHS.

Malcolm McKenzie
Chair, Corporate Transformation Services, Europe



ACTIVIST CHOICE OF TARGETS AND CAMPAIGNS

HOW SUCCESSFUL HAVE THEY BEEN?

THE ANALYSIS – WHAT DID WE DO?

We analysed 550 public campaigns by shareholder activists launched between 1 January 2016 and 31 October 2021 against corporates headquartered in Europe and the U.S.. Our focus was on understanding whether the target corporates chosen by the activists had outperformed the broader market in generating a higher total shareholder return over the two years following campaign launch, and if so by how much.

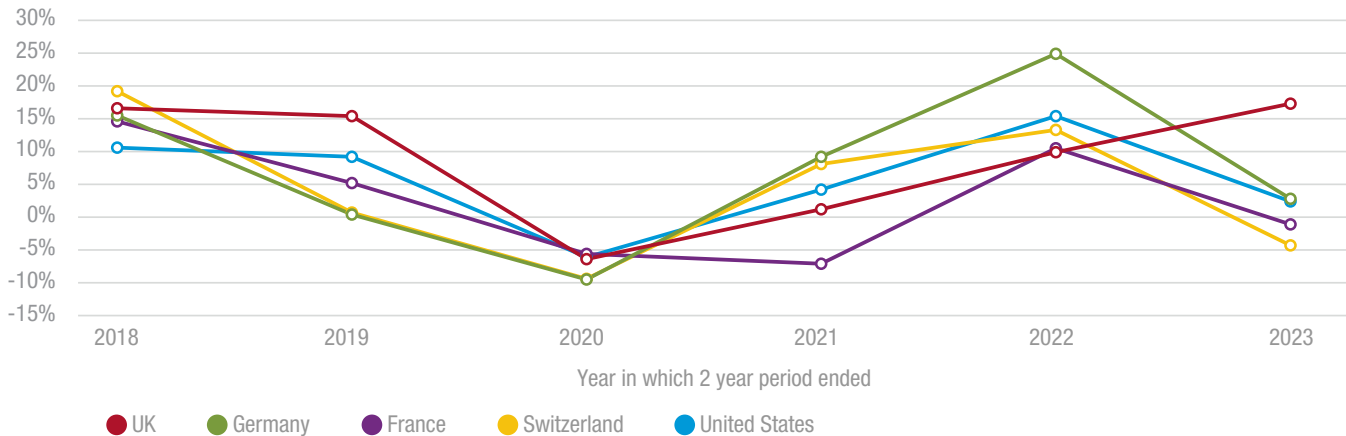
To achieve this, we took the total shareholder return for each corporate over the subsequent two years following campaign launch and compared that return to the Stoxx 600 index (for European corporates) and S&P 500 (for U.S.). We also compared the performance against specific sector indices to determine relative performance against peers.

ACTIVISTS CAN CLEARLY BE A CATALYST FOR CHANGE THAT DELIVERS ENHANCED SHAREHOLDER RETURNS, BUT THEY DO NOT HAVE A MONOPOLY OF GOOD IDEAS. CORPORATES WHO ACT AS THEIR OWN INTERNAL ACTIVISTS CAN OUTPERFORM THEIR PEERS AND BE THE STARS IN THEIR SECTOR.

Patrick Siebert, Managing Director, Germany

SUCCESS BY GEOGRAPHY

Success by geography of corporate HQ – Total shareholder return over 2 yrs vs Market Index

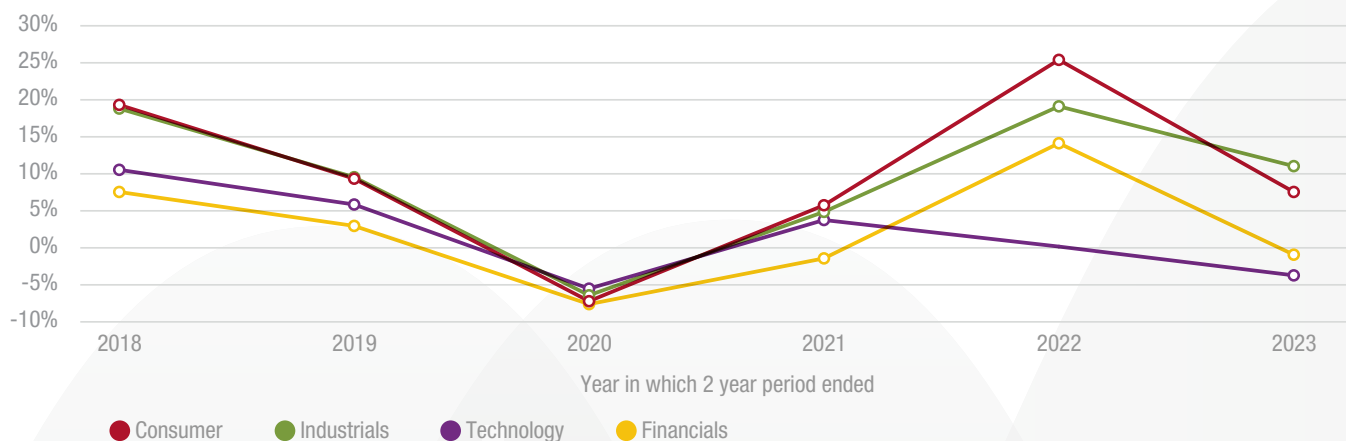


From our analysis, several key observations stand out:

- On average the targeted corporates did outperform broader markets. Across all campaigns, the average outperformance over the two years following campaign launch was 6.3%.
- At a country level, campaigns against U.K. corporates have seen the highest average returns. All geographies have seen significant volatility in relative performance, with Switzerland and particularly Germany having the greatest range between highs and lows.
- 2020 was a highly notable year that saw marked underperformance across all geographies. Managing the huge market turmoil created by the Covid-19 pandemic in that year whilst also addressing the demands of activists was perhaps a step too far for the targeted corporates.
- By contrast, 2022 saw an average 15.1% outperformance. The corporates facing activist campaigns launched in 2020 had successfully adapted to, or defended against, the challenges and delivered value for their shareholders.

SUCCESS BY SECTOR

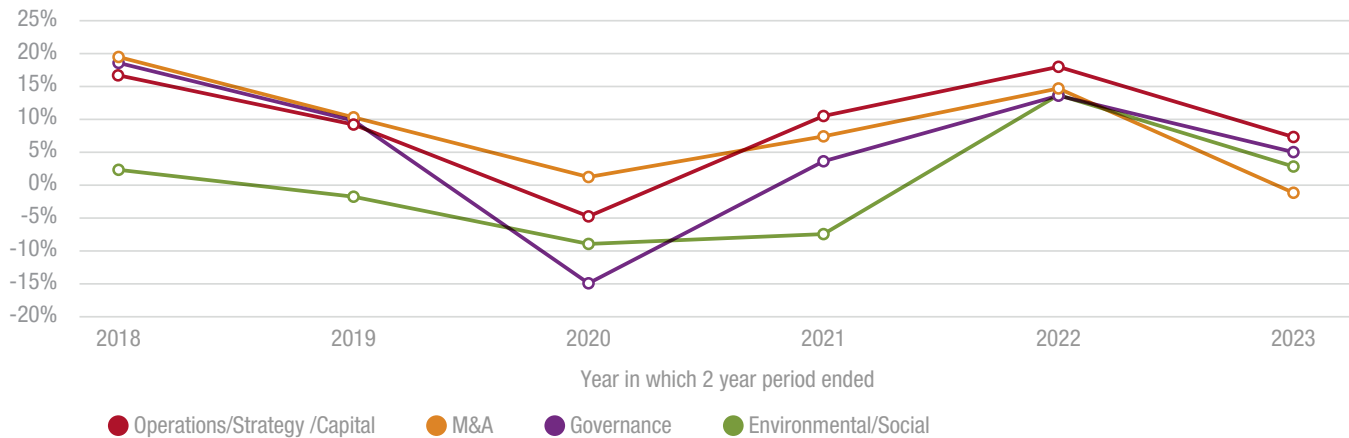
Success by sector – Total shareholder return over 2 years vs Sector Index



The broader profile of success by sector matches the geographic averages. However, it is notable that the differences between sectors are lower, particularly for the two year periods ending in 2019, 2020 and 2021. The two-year period ending in 2022 shows the same marked outperformance across the sectors, albeit with Technology targets performing no better on average than the wider sector. This is likely to reflect how the wider technology sector challenges in 2022 dominated corporate valuations and undermined the potential value opportunities targeted by activists.

SUCCESS BY FOCUS OF CAMPAIGN

Success by focus of campaign – Total shareholder return over 2 years vs Market Index



The most successful campaign strategy for activist investors over recent years has been a focus on how a business is driven – seeking value opportunities in enhanced operations, strategy and associated internal capital allocation. The challenges created by Covid meant that 2020 was the only year in which operationally focused campaigns underperformed against the broader market.

In contrast, Environmental or Social campaigns have seen the weakest relative returns, albeit ones that just managed to outperform the wider market over the 6 years by a relatively marginal 0.2%. 2022 saw such campaigns seeing similar relative returns to other types of campaign, and 2023 has seen higher relative returns than those from an M&A focus. It will be interesting to see if this momentum continues and how Environmental/Social campaigns fare through 2024. Early indications are that market focus has reverted to a degree, and greater success may be found via campaigns that focus on nearer term financial results.

CAMPAIGNS AGAINST UK CORPORATES SEEKING OPERATIONAL OR STRATEGIC CHANGE HAVE SEEN THE HIGHEST SHAREHOLDER RETURNS.

AVERAGE OUTPERFORMANCE OVER THE PAST 6 YEARS

BY COUNTRY		BY CAMPAIGN	
U.K.	9.2%	OPERATIONS/STRATEGY	9.4%
GERMANY	7.4%	M&A	8.5%
UNITED STATES	6.1%	GOVERNANCE	5.5%
SWITZERLAND	4.5%	ENVIRONMENT/SOCIAL	0.2%
FRANCE	3.1%		

SHAREHOLDER ACTIVISM IN EUROPE IN 2023

ACTIVISM IN THE NEWS

Big companies, big headlines

Walt Disney, Apple, Nestlé, Kering, Bayer, Airbus, Alphabet, Siemens, Glencore, BP, Shell and TotalEnergies are just a few of the major global names that were on the receiving end of shareholder activist campaigns in 2023. Such campaigns attracted significant media attention, which in many cases continued to maintain a high public profile as the dynamics of the offensive and defensive tactics played out with varying degrees of apparent success.

From a sector perspective, consumer corporates were a particular area of focus with additional European targets including Carlsberg, The Restaurant Group, H&M Hennes & Mauritz and Entain. Chemicals were also heavily targeted by activists in 2023. Brenntag, Covestro, Elementis and Corbion were all the subject of public challenges many of which sought operational change, revised capital allocation and/or potential M&A solutions.

“Bumpitriage”, where proposed M&A transactions are opposed as being priced too low, were relatively uncommon in 2023 given the subdued deal market. However, there were signs of re-emergence towards the end of the year with PrimeStone’s objection to the proposed KKR acquisition of Smart Metering Systems being an example late in December. We also saw challenges from activists where acquisitions were seen as priced too high and ultimately value destructive – Entain being a notable example.

Fighting for a cause

The continued rise of environmentally and/or socially focused campaigns are also worthy of note. By their very nature, they often attract wider media and attention and can arguably have an outsized impact on the public perception of corporate brands.

The energy sector would perhaps be an obvious focus for shareholders campaigning for faster net-zero transition with BP, Shell and TotalEnergies all being the subject of focused campaigns. However, environmental and social activism is of course much wider with additional targets in 2023 including Apple, Engie, Carlsberg, AP Moller Maersk, Deutsche Bank and Société Générale, which have variously faced demands relating to pay disclosures, human rights and climate change.

Nudge-activism

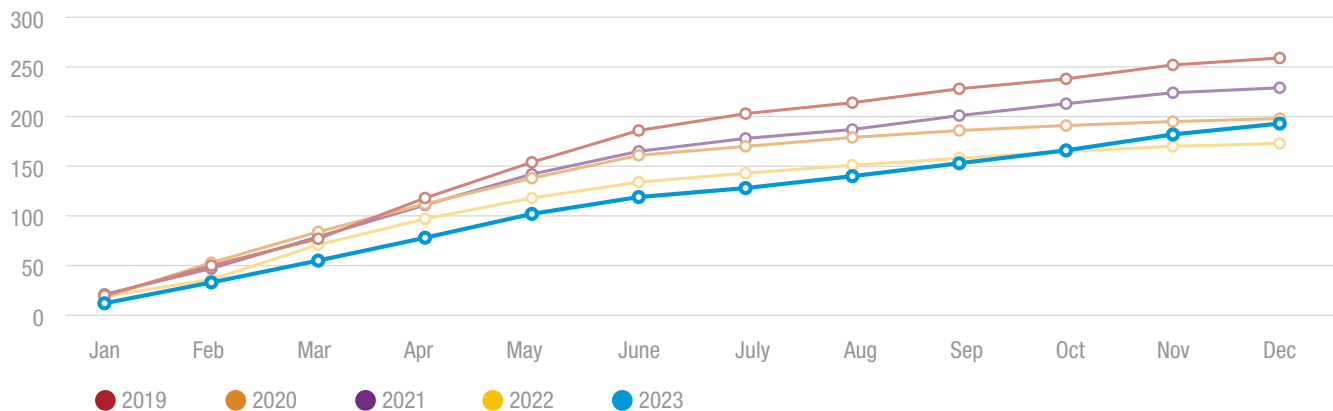
The soft power of active shareholders who are, at least initially, non-public with their suggestions to corporates, is arguably a growing force in European shareholder engagement. Such soft power has always been a force, and whilst we can’t track it given the surrounding privacy, anecdotally it does appear to be more and more common with practitioners including long-only asset managers and focused active/activist funds. In some cases traditional private equity players are also expanding into taking stakes in public companies with the intent to drive value-accretive change.

One driver of this increased use of soft power is a recognition that you can have “more success with honey than vinegar”. Any perception of active shareholders as aggressive “barbarians at the gate” risks alienating all parties and taking focus away from achieving true success i.e. enhanced financial performance and associated shareholder returns.



NUMBER OF CAMPAIGNS

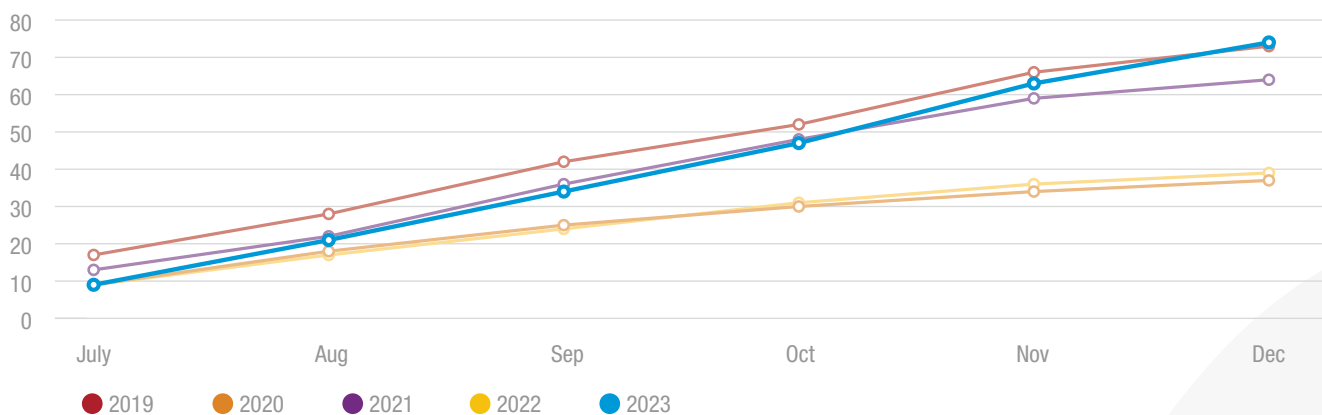
Number of campaigns in Europe – Cumulative monthly profile



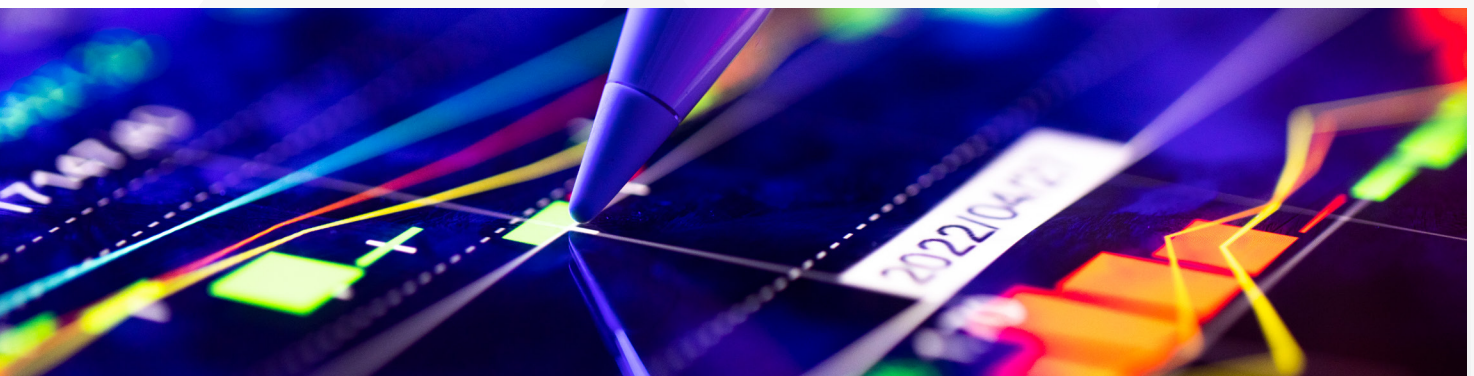
The first six months of 2023 saw subdued campaigning by activist investors in Europe. This is in contrast to the U.S. which saw a wave of activism across all sectors. In total over the full 12 months, we recorded 193 campaigns in Europe which is greater than the 173 in 2022, and similar to the levels in 2020, but significantly lower than the number of campaigns seen in 2021 and 2019.

It is worth noting that typical years in Europe will see circa 70% of all annual campaigns in the first six months. This is driven by the first half of the year holding the majority of AGM's and a spate of associated campaigns, plus the second half containing the quieter holiday months of August and (partly) July.

Number of campaigns in Europe – July to December Cumulative

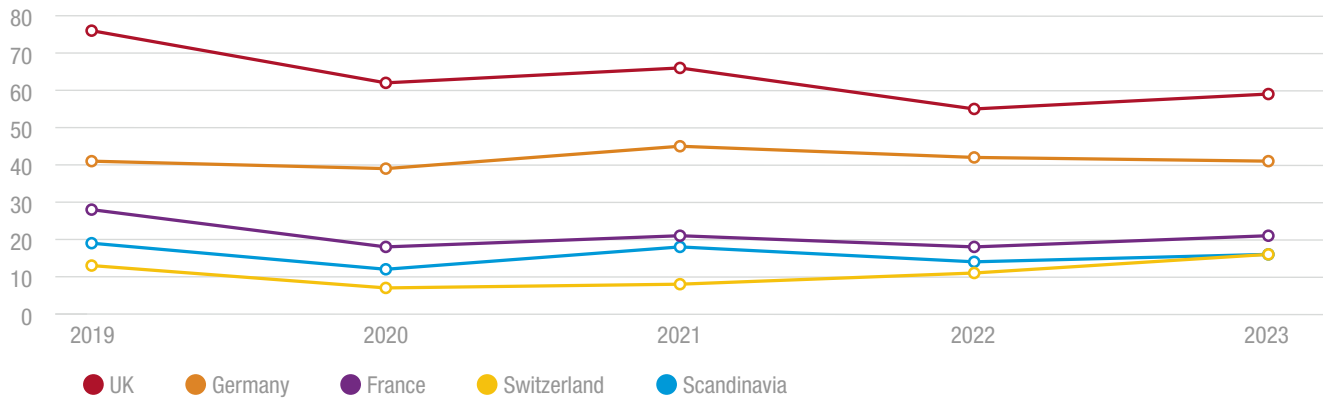


However, the relatively lower annual numbers mask the significant momentum that has built behind shareholder activism in the second half of 2023. As can be seen in the rebased July to December chart above, the number of campaigns recorded in those 6 months slightly exceeded the levels seen in the second half of 2019 and was significantly higher than the other years, particularly 2020 and 2022. Both of these years started out with higher levels of activism before the shocks of the pandemic and the Ukraine war respectively unsettled the markets. 2023 witnessed the reverse – macroeconomic and capital market challenges defining the initial equity market dynamics before those challenges began to abate and financial visibility began to return.



WHICH GEOGRAPHIES HAVE BEEN THE MAIN TARGETS?

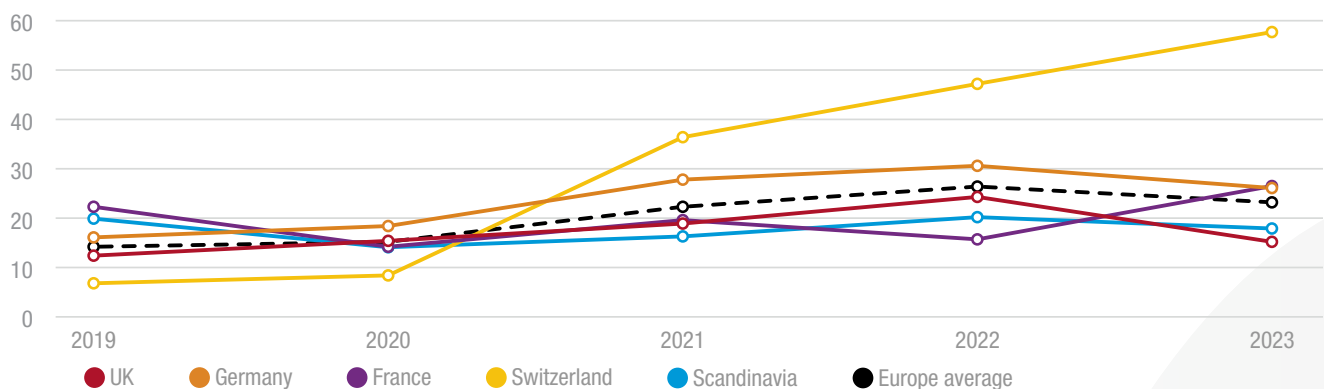
Number of campaigns in each year – “Big 5” geographies



The “Big 5” target geographies for activists in Europe continue to be the U.K., Germany, France, Switzerland and Scandinavia. Whilst remaining the most targeted geography, the relative attractiveness of the U.K. has decreased to a degree over the past five years. The number of campaigns against German corporates has held steady, and remains the second most targeted market, followed by France. As we predicted in our 2022 outlook, Switzerland has received increasing activist attention, with major names such as Nestlé and Glencore being targeted.

HOW LARGE ARE THE ACTIVISTS TARGETS?

Average Market Capitalisation of targeted corporates (€bn)



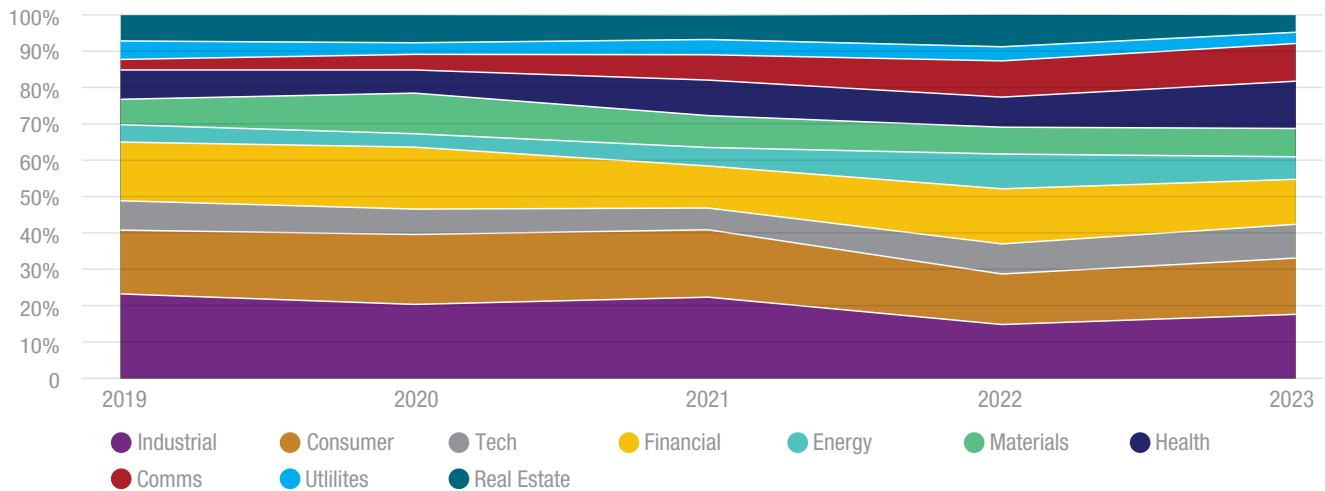
The size of European corporates targeted by shareholder activists (as measured by market capitalisation) has increased steadily up to 2022. One driver of this trend has been the increasing recognition of activism as an accepted route to enhancing shareholder value, and an acknowledgement that no corporate is too big to face constructive criticism.

However, this trend reversed in 2023, with the average size decreasing from €26.4 billion to €23.2 billion. One reason for this is that, whilst large-cap corporates continue to attract significant attention, the mid-cap market has offered greater M&A opportunities and therefore more options for activists seeking routes to enhanced shareholder value.



WHICH SECTORS HAVE ATTRACTED THE ACTIVISTS?

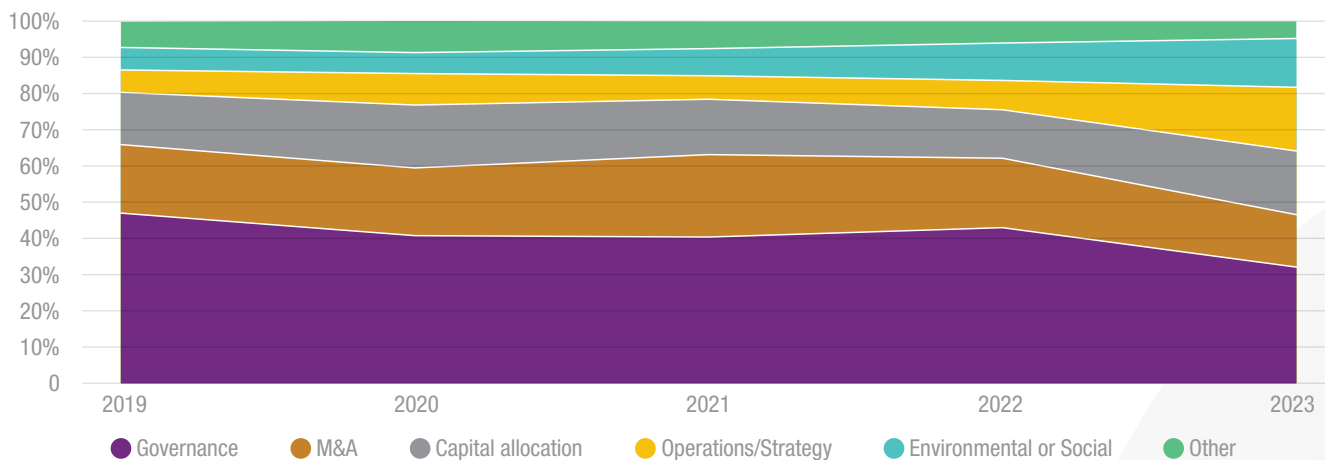
Profile of Activist Campaigns – Sector



2022 was a quieter year for the large Industrial and Consumer sectors, but 2023 saw an increased focus on these sectors, with targets including The Restaurant Group, Carlsberg, Nestlé, Entain and Airbus. There was also greater focus on the Technology and Healthcare sectors with notable campaigns from investors seeking improved bottom line performance and cash generation.

WHAT HAVE ACTIVISTS BEEN DEMANDING?

Changing Profile of Activist Campaign Demands

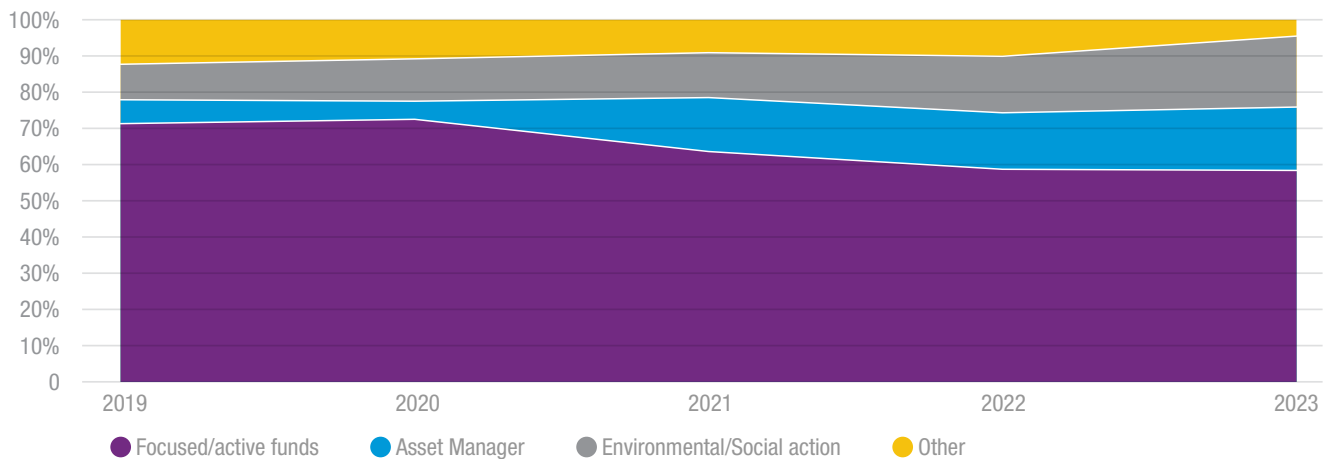


2023 saw activists increasingly focusing on seeking changes in the day-to-day operations and broader strategy of their targets. Overall, there was a significantly reduced focus on M&A demands but the second half of 2023 did start to see increased M&A campaigns including those against Telecom Italia SpA, Elementis plc and DX (Group) plc.

In addition, there was a reduced focus on changing governance, although that remained the most common demand. The growth of E&S campaigning can also be clearly seen, partly driven by the increased targeting of the Energy and Financial sectors. That said, we are anticipating a potential pause in the growth of E&S campaigning as investors move more towards a heightened focus on nearer term yield.

WHO ARE THE ACTIVISTS?

Changing profile of activist investors



The past five years have seen an evolution in the profile of investors that have launched public activist campaigns. The focused funds that overtly adopt activism as a common strategy continue to account for the majority of campaigns. However, there has been notable growth in campaigns launched by traditional long-only asset managers. Those investors with environmental and/or social action-focused mandates have also been a growing force.

This changing profile is being driven by two market dynamics. Firstly, as previously mentioned, investor activism is increasingly accepted as a valid route to supporting the delivery of enhanced shareholder value, particularly when equity markets are under pressure – more “constructivist” than “barbarian at the gate”. Secondly, there has been a greater public appreciation of the role and responsibilities of corporates in helping deliver on environmental and social ambitions.



THE SECOND HALF OF 2023 SAW BUILDING MOMENTUM BEHIND SHAREHOLDER ACTIVISM IN EUROPE. OUR ANALYSIS INDICATES THAT THIS TRAJECTORY WILL CONTINUE IN 2024, BRINGING GREATER CHALLENGES FOR CORPORATES AND THEIR BOARDS IN THE MONTHS AHEAD.

André Medeiros, Managing Director, United Kingdom

FORECAST AND OUTLOOK FOR 2024

WHO WILL THE ACTIVISTS TARGET NEXT?

The Alvarez & Marsal Activist Alert (AAA) model has identified **146** corporates considered to be at heightened risk of public shareholder activism over the next 18 months and where we have issued Red or Amber alerts.

In the data we publish, we do not disclose the names of the corporates we identify as being at heightened risk (keeping these confidential to our discussion with the individual corporates and their advisors), although the geographic and sector trends are included. Of the 144 companies we identified in our December 2022 outlook as being at heightened risk over the following 18 months, at the time of writing **41** have already been publicly targeted by activist investors.



WHAT DO RED AND AMBER ALERTS MEAN?

Red alert

6-12 Months

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

Amber alert

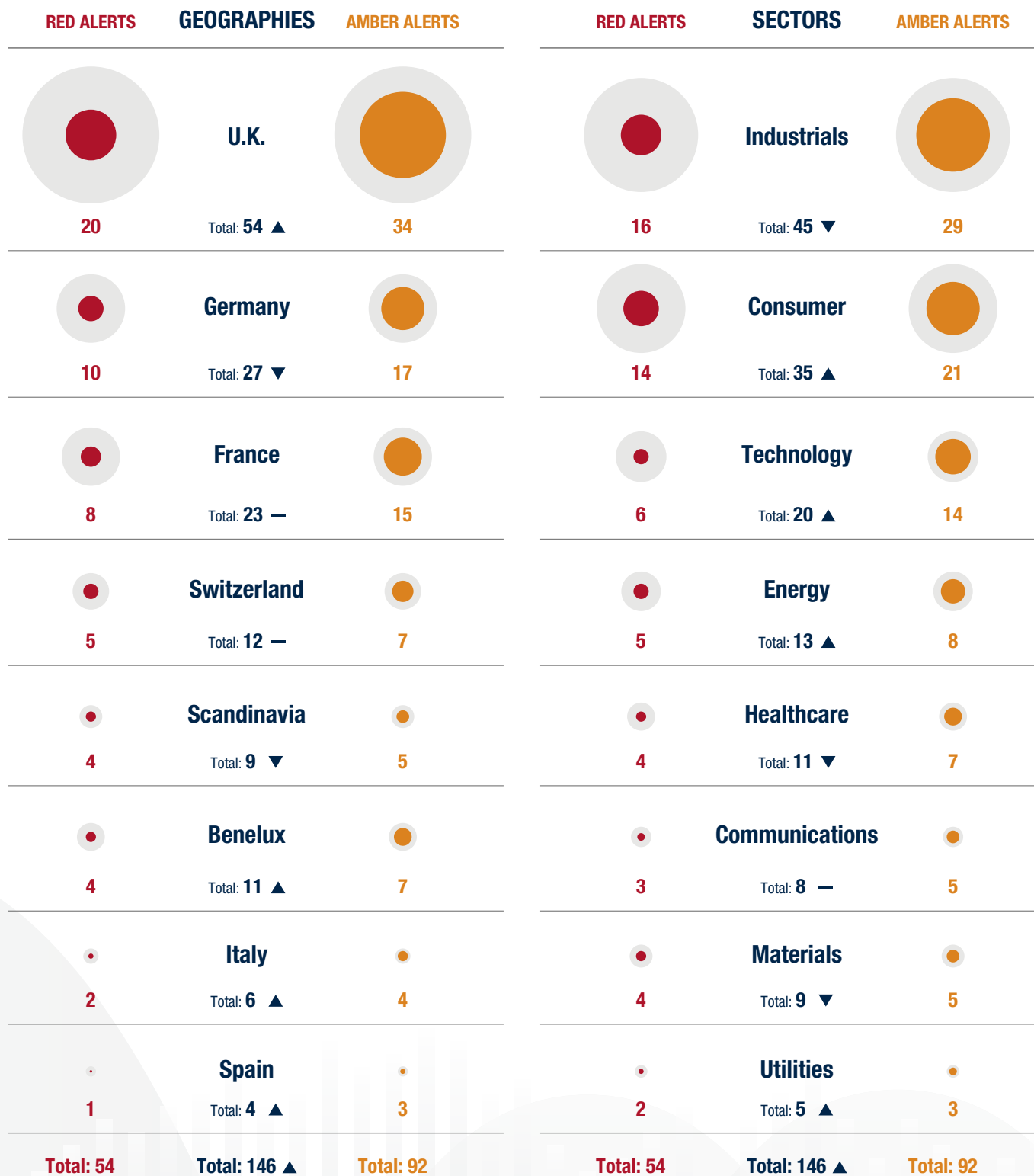
12-18 Months

An **Amber alert** signals a medium-term predicted risk of becoming a public 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](#).

NUMBERS OF PREDICTED ACTIVIST TARGETS - BY GEOGRAPHY AND SECTOR



● **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 December 2022 Outlook ▲ ▼ — up arrow: higher, down arrow: lower, level: level

FOCUS BY GEOGRAPHY

Our updated predictions identify

54

U.K. companies at heightened risk of activist campaigns, up from 52 in our December 2022 Outlook



Our analysis shows that activist interest in U.K. plc is likely to increase over the next 12 to 18 months. The U.K. market is relatively overweight in the Consumer and Energy sectors and these sectors are predicted to attract increased activist interest. Corporate valuations in the U.K. are also relatively low (Price/Earnings ratios 17% below the European average), therefore offering greater opportunities to buy-in at attractive prices. These factors build on the continued attraction of the U.K. based on its strong shareholder rights.

Detailed analysis has identified

27

German corporates that are predicted to face public activist campaigns



Germany has been a major focus area for activists over the past few years, and our analysis suggests that German corporates will continue to be the second most targeted group in Europe. The Industrials sector will remain a prime area of focus, with capital allocation and cash generation under particular scrutiny. Germany is relatively underweight in the Consumer and Energy, which we predict will attract increased activist attention. This results in a small reduction in the number of identified predicted activist targets from 29 to 27.

France continues to offer opportunities for activists with

23

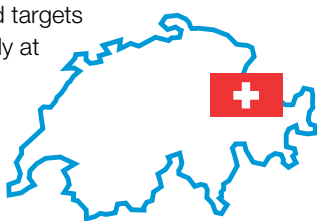
predicted targets identified



France is relatively overweight in the Consumer, Technology and Energy sectors, and we have identified a number of predicted French targets in these sectors. However, valuations of French corporates are relatively high compared to European peers (Price/Earnings ratios 25% higher than European average), which reduces the number of attractive buy-in opportunities, particularly in the Industrials sector. The combination of those contrasting forces has resulted in the number of future identified targets being unchanged from our December 2022 outlook.

Switzerland has seen the number of predicted targets identified hold steady at

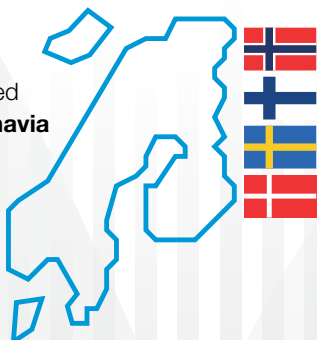
12



Switzerland is attracting increased activist attention, fuelled by higher profile cases such as Nestlé, Compagnie Financière Richemont and Glencore, in addition to the 2023 reforms to Swiss Corporate Law. Predicted targets in Switzerland are in a range of sectors, although Industrials, Consumer, Technology and Healthcare will receive particular attention. These forces will be tempered to a degree by the relatively high valuation of Swiss corporates (Price/Equity ratios 26% higher than European average) leaving the total number of predicted targets at 12.

There is a small reduction in the number of predicted targets in **Scandinavia** from 10 to

9



The Scandinavian corporates that we have identified as likely targets offer activist funds a range of value opportunities including relative underperformance in revenue generation and cash conversion. However, across the region corporates have also generally outperformed peers in generating returns on capital and shareholder return. The combined result is that there has been a small decrease in the number of predicted targets.

FOCUS BY SECTOR



We have identified

45

European **Industrial** corporates at heightened risk of activism. This number will increase as and when the M&A market revives

Industrial corporates continue to make up the largest group of predicted activist targets, with 45 likely candidates identified. While European industrials have, on average, underperformed their global peers in areas including net margins, asset turnover and cash conversion, they have outperformed in terms of revenue generation and direct cost management. Higher costs of capital are also creating increasing capital allocation challenges. M&A opportunities within the Industrials sector have been relatively weak but as they return, so will the activist spotlight.



The **Consumer** sector has seen the largest increase in the number of identified targets from 31 previously to

35

 now

Consumer corporates in Europe are predicted to receive significantly increased attention from activist investors with further public campaigns ensuing. Particular areas of focus will include relative underperformance in driving revenues per employee, net margins, return on equity, returns on capital and dividend yield. On average, European consumer corporates have outperformed their global peers in protecting revenue growth and gross margins, but this attention to the top line has not been mirrored by a focus on delivering bottom line results.



The **Technology** sector is seeing some resurgence in M&A options which is one of the drivers of the increase in predicted targets from 18 to

20

On average European Technology corporates have outperformed their global peers in protecting revenue generation, but have been notably less successful in improving their net margins, cash generation and returns on capital. As a result, cost reduction and cash conversion opportunities are emerging as areas of focus for activists. When combined with early signs of a resurgence in M&A in the sector we predict increased opportunities for activists to push for change and enhance shareholder returns.



With an increase from 10 predicted targets previously to

13

now, the **Energy** sector has seen the second largest increase in predicted activism

There are myriad challenges facing Energy corporates globally. From net-zero demands, rising costs of capital, geopolitical tensions and environmentally focused activism, boards face a true Gordian knot of issues to manage. The solutions adopted by corporates to deal with these challenges will include revised capital allocation, acquisitions and disposals, which will in turn lead to price disagreements, stranded costs, lost synergies and climate change issues, all of which will generate increased public activism.



OUR PREDICTIONS OF WHICH CORPORATES ARE LIKELY TO BE TARGETED BY SHAREHOLDER ACTIVISTS ARE NOT NECESSARILY A FAIT ACCOMPLI. UNDERLYING PERFORMANCE CHALLENGES CAN BE ADDRESSED, EQUITY STORIES ENHANCED, AND SHAREHOLDER VALUE INCREASED. PROACTIVE TRANSFORMATION WILL LEAD THE ACTIVISTS TO LOOK ELSEWHERE.

Guillaume Martinez, Managing Director, France

METHODOLOGY

The total number of European companies analysed for this outlook was

1,483

and their performance was compared to

3,564

of their global peers resulting in a total of

5,074

corporates contributing to our modelling

A&M's Activist Alert model is based on an extensive and rigorous analysis of activist activity in eight European geographies. The latest refresh of the model includes detailed analysis of listed corporates with a market capitalisation of €200 million or more headquartered in the U.K., Germany, France, Scandinavia, Switzerland, Benelux, Italy and Spain.

The total number of European companies analysed for this outlook was 1,483. Importantly, as part of the analysis of these corporates, their performance and positioning across a wide range of metrics was compared to their global peers. Taking this global comparative analysis into account, we analysed a total of 5,074 global corporates.

Our research team analysed 204 situations in which activist investors had made public demands to European corporate boards since 1 January 2021. We then compared those 204 publicly targeted companies with the 1,279 European corporates in this analysis which had not experienced such activist campaigns.

WHAT WE MEASURE

We analyse each company using 48 quantitative and qualitative variables derived from publicly available data and assess a company's relative performance against their global sub-sector peers.

The variables analysed can be broadly grouped into the following categories: Country; Sector; Profitability; Assets & Liabilities; Equity Value & Structure; ESG. Our predictive model calculates a AAA score for each company plus an extrapolated probability that it will be targeted by activists within the next 18 months if appropriate corrective action is not taken and the required results delivered.

Over our 12 editions, the predictive accuracy of the AAA has been between 46% and 58%. If a company is on our red or amber alert list, there is therefore broadly an even 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 hence the 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 1 A candid assessment of vulnerabilities	STAGE 2 Assessing alternative value creation options	STAGE 3 Implementing the plan and delivering the value
<p>Adopting an “outside-in” perspective, we candidly assess how an activist investor would view the corporate, discuss the key areas of vulnerability around operational performance and capital allocation, and lay out the type of funds that might be attracted and the tactics they may adopt. This helps pre-arm a board against private approaches from activists seeking non-public discussions.</p>	<p>Assess and compare all options to deliver enhanced operational performance, capital allocation and shareholder value. The capital allocation assessment will include comparing internal capital allocation options (such as existing/enhanced operations, CapEx, R&D etc), with external options (M&A, Dividends, Buy-backs, debt repayments, equity/debt capital issue).</p>	<p>We work with the board, the management, and other advisors to deliver the benefits targeted by in the agreed transformation programme. 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.</p>

Please contact any of our team listed in the next section, or indeed any team member in your local A&M office, to discuss how we can help in more detail. We would be delighted to hear from you.

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