



US A&M ACTIVIST ALERT

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ALVAREZ & MARSAL
LEADERSHIP. ACTION. RESULTS.™

CONTENTS

01	INTRODUCTION	P3
02	OVERVIEW	P4
03	M&A IN ACTIVISM	P5
05	PORTFOLIO OPTIMIZATION AND STRUCTURAL COMPLEXITY	P9
06	MARGIN IMPROVEMENT AND COST REDUCTION	P12
07	CONCLUSION	P15
08	THE A&M DIFFERENCE	P17

INTRODUCTION



The US Alvarez & Marsal Activist Alert (AAA) report seeks to provide executives and board members with a distinct, differentiated perspective on the current state of shareholder activism.



A&M's practice and industry groups bring complementary perspectives to value creation with a unified focus on preventing shareholder activism. Prevention requires companies to generate differentiated and sustained value creation: durable performance, strategic clarity, and disciplined execution remain the most effective safeguards against agitation by activists.

This report is informed by A&M's experience advising management teams and boards across industries and functions, market expertise and dialogue, and proprietary analysis described at the end of this report.

Our goal is to deliver timely insights to help corporate leaders stay focused on value creation and reassess strategic priorities and operating performance to stay ahead of peers and deter activists.

OVERVIEW

This report examines three broad themes in the market and how they impact companies, investors, and activists. We expect they will remain influential forces in shaping the activism and corporate landscapes in 2026 and beyond.

The three market trends include:



01/ INCREASED M&A ACTIVITY, DRIVEN IN PART BY RISING FOREIGN INVESTMENT IN THE US, SUPPORTING MORE ACTIVISM



02/ PORTFOLIO OPTIMIZATION, WITH GREATER EMPHASIS ON PRIORITIZING CORE ASSETS AND DIVESTING NONSTRATEGIC ASSETS



03/ ENHANCED FOCUS ON MARGIN IMPROVEMENT AND COST DISCIPLINE, PARTICULARLY AMID INCREASED TRANSACTION ACTIVITY

While these dynamics and their impact on shareholder activism are not entirely new, the conditions surrounding them continue to evolve. These predicted trends, in part, reinforce each other: An increase in M&A activity heightens activist and investor focus on portfolio optimization and creates an environment where margin improvement and cost discipline are scrutinized, whether in the context of a transaction or in the normal course of operations.

We also expect that the convergence of several macro factors in 2026—including an increase in infrastructure spending, rising foreign direct investment, and potential interest rate cuts—will create a heightened activism environment, particularly for companies in the industrials sector.

Against this backdrop, preventing activism through a constant and fresh focus on sustained value creation is a priority for management teams and boards.





M&A IN ACTIVISM

Increase in M&A, amplified by foreign investment in the US, supports more activism.

In A&M's October 2025 AAA prelude report,¹ we described pent-up M&A activity as a "coiled spring," previously held back by regulatory scrutiny and elevated interest rates. Through Q4 2025 and into 2026, some of these pressures have been alleviated, and M&A momentum has increased, particularly in terms of large transactions, including several notable megadeals with activist or strategic implications.



2025 closed with significant M&A momentum that is continuing into 2026. Aggregate deal value in Q4 2025 (~\$1 trillion) was more than double that of Q3 2024 (~\$410 billion).

US M&A Activity



Source: FactSet, A&M analysis

Note: There may be differences between the preliminary estimates of fair value and the final acquisition accounting. The final estimates of fair value are expected to be finalized one year after acquisition date.

1. "Shareholder Activism in the U.S. A Prelude: U.S. A&M Activist Alert," Alvarez & Marsal, October 2025.

A more favorable, active M&A environment directly contributes to more shareholder activism activity, as activists expand the number of credible pathways for them to “win” or realize value in an investment. Many activist campaigns lead with change theses based on operational improvements and organic initiatives, which may be straightforward and executable.

However, in other scenarios, these initiatives could take years to implement and may ultimately fail for myriad reasons. In these situations, a favorable M&A environment provides activists with an “out,” i.e., a faster, alternative pathway to value creation. It also offers activists a mechanism to accelerate capital redeployment into new opportunities.



A primary driver of rising M&A deal value is the surge in “megadeals”: transactions exceeding \$10 billion. Since early 2025, US companies have announced 54 such deals, several of which have been influenced by activist pressure or involvement. Some of the largest deals in 2025 involved activism pressure.

M&A Megadeals and Activist Involvement

Target/Acquirer	Activist/Aggressor	Deal Value	Activist Involvement
Warner Bros. Netflix	Ancora Paramount	\$111 billion	<ul style="list-style-type: none"> ■ After Warner Bros. announced deal with Netflix, Paramount-Skydance launched a hostile tender offer and publicly challenged the Netflix deal, ultimately emerging as the highest bidder. ■ Ancora Advisors urged Warner Bros. shareholders to reject the proposed Netflix merger, citing undervaluation and concerns over deal terms, among others.
Norfolk Southern Union Pacific	Ancora	\$88 billion	<ul style="list-style-type: none"> ■ Ancora Advisors launched a proxy contest to overhaul Norfolk Southern’s Board, calling for management changes and operational improvements, ultimately winning three board seats. ■ Norfolk Southern subsequently announced it would be acquired by Union Pacific.
Kenvue Kimberly-Clark	Starboard Value Third Point	\$49 billion	<ul style="list-style-type: none"> ■ Starboard Value and Third Point had campaigned for operational improvements at Kenvue, claiming a structural undervaluation post-spin off from J&J. ■ Starboard representatives joined the Kenvue Board months before Kimberly-Clark announced it would acquire Kenvue.

Source: FactSet, A&M analysis. Note: Deal values are subject to change.

Adding tension to this “coiled spring” of pent-up M&A activity is the rising tide of expected foreign direct investment (FDI) into US public and private markets. Recent publicly announced transactions involving foreign governments, sovereign wealth funds, and international sponsors suggest increasing participation from nontraditional buyers.

For example, consider the announcement in mid-February 2026 that the Japanese government would invest significant capital for three energy and manufacturing projects in the US: a natural gas power facility in Ohio, a crude oil export terminal along the US Gulf Coast, and a synthetic diamond manufacturing facility in Georgia.

International capital has the potential to amplify domestic M&A trends, but the impacts of this potential influx of FDI will likely be industry-specific and vary by sector. Much of the recent FDI activity has concentrated in asset-heavy segments of the market and infrastructure capacity buildouts, as noted in the recent

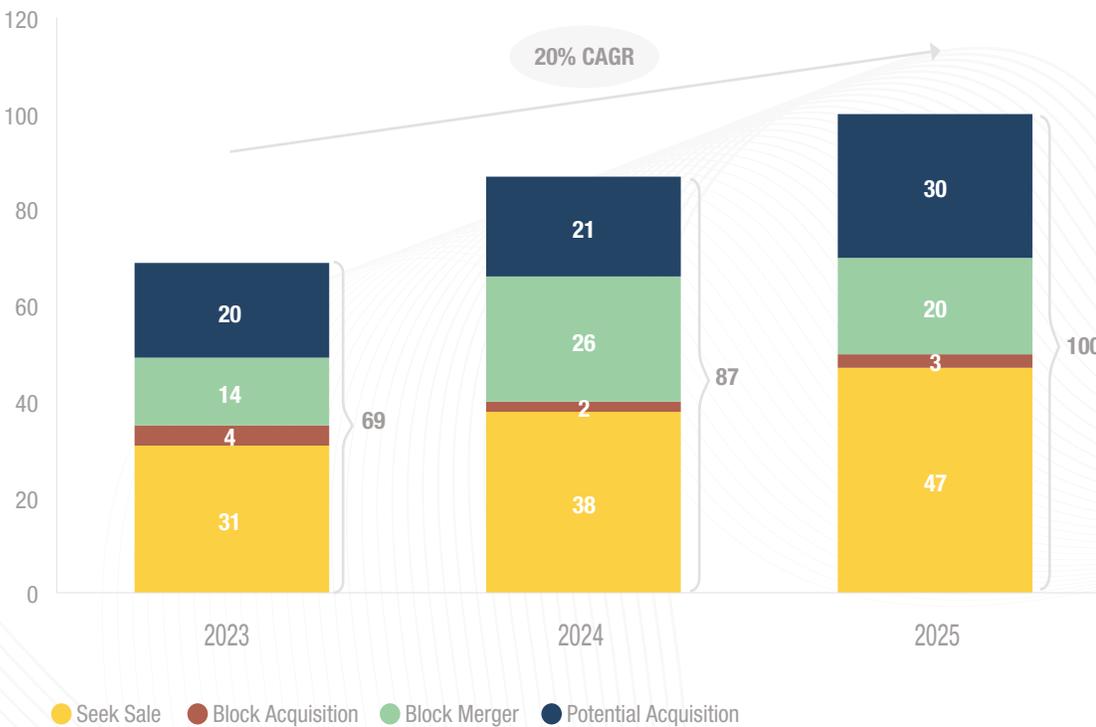
Japanese investment example above, which are investments that often catalyze consolidation, portfolio realignment, and targeted acquisitions.

The convergence of this theme and a potential increase in FDI and its impact on the building products, construction, engineering, and infrastructure industries is explored in more depth on the following page.

Implication for Management Teams and Boards

A more active, favorable M&A environment supports transaction optionality as part of the activist playbook. With a potential M&A “supercycle” in 2026, management teams and boards should evaluate whether their portfolio configurations, capital allocation priorities, and integration readiness can withstand scrutiny in a more liquid and globally competitive market.

M&A Related Activist Campaigns and Demands Since 2023



M&A demands have grown 20% per year for the last three years, including 15% from 2024 to 2025.

Source: FactSet, A&M analysis



INDUSTRY IN FOCUS: BUILDING PRODUCTS, CONSTRUCTION, ENGINEERING, AND INFRASTRUCTURE

With this potential influx of FDI in 2026, we expect to see increased activism activity at industrials companies, specifically those focused on building products, construction and engineering, and manufacturing.

In these industries, activists may seek to capitalize on transaction optionality—either by positioning ahead of potential foreign investment or by advocating for operational improvements with strategic alternatives serving as a backstop.

Notably, several companies engaged in the production and distribution of building products, as well as firms in the construction and engineering industries, rank highly in A&M's shareholder activism vulnerability screener model (discussed in detail at the end of this report). Companies in these industries are overrepresented in the model's top 10% of results, suggesting they are particularly vulnerable to shareholder activism relative to the broader market.

This vulnerability, which may position these companies for a fresh look from activists and other investors, reflects cyclical pressures that have weighed on performance across the sector for several years.

Homebuilding, commercial developments, and construction activity in the US more broadly have faced significant headwinds, including:

- **Growth uncertainty affecting valuations**, as high interest rates dampen demand, leading to lower housing starts, commercial building, and infrastructure development
- **Volatile raw material costs**, which are attributable in part to tariffs and have complicated supply chains, making budgeting and forecasting more difficult and compressing margins
- **Broad macroeconomic uncertainty, including recession risk**, resulting in broad caution in starting new work, increasing the risk of land impairment charges, inventory write-downs, or slower turnover, and reducing operating cash flow

Many companies in the building supplies, construction, engineering, and infrastructure-related industries remain in a “show me” status for investors. In the absence of clear catalysts with the potential to change the fundamentals, investors may be wary of taking a position, and valuation support may remain limited.

“Given recent rate sensitivity and macro volatility, investors have been cautious on the industrials sector. However, increased infrastructure spending, stronger Foreign Direct Investment, potential further rate cuts, and growing activist interest will likely create a compelling inflection point that unlocks pent up demand soon. In anticipation, we see our clients taking advantage of the opportunity to streamline portfolios, reset costs, and strengthen their balance sheets – quietly and quickly positioning themselves for the next upcycle.”

RICHARD HOLT
MANAGING DIRECTOR,
CORPORATE TRANSFORMATION SERVICES PRACTICE LEADER

PORTFOLIO OPTIMIZATION AND STRUCTURAL COMPLEXITY

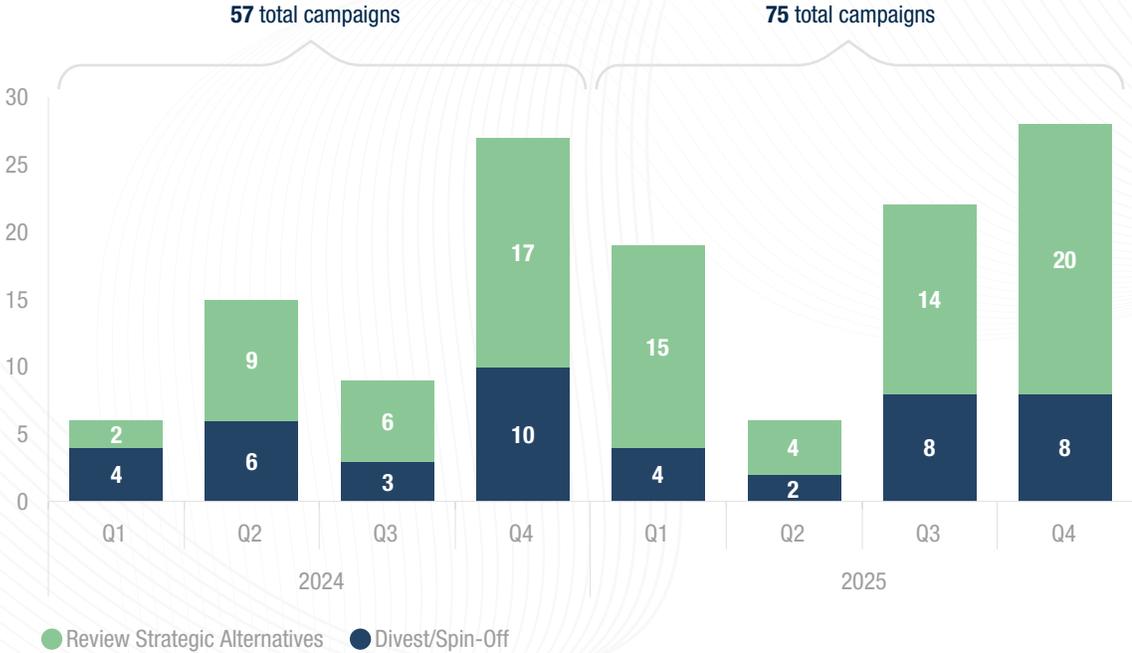
Portfolio simplification pressures, intensified by transaction liquidity, elevate break-up and divestiture demands.

As M&A activity accelerates, we expect activist campaigns will increasingly focus on portfolio simplification. Companies that complete significant transactions often need to move with urgency to rationalize their portfolios to address duplicative assets, overlapping geographies, and other asset integration challenges. As transaction markets deepen and buyer appetite increases, activists see greater opportunity to unlock value through divestitures and spin-offs, with investors demanding that companies justify every asset with clear, standalone value.

For example, consider Honeywell International, one of the few remaining industrial conglomerates with a portfolio that spans multiple industries and varied end-markets.

Elliott Management began publicly advancing a break-up thesis in late 2024, advocating for the separation of the company’s aerospace and automation businesses. Elliott cited Honeywell’s strong assets, but pointed to a recent history of operational, financial, and market underperformance, attributing these to complexity within the conglomerate structure. Beyond suggesting Honeywell’s valuation multiples would re-rate under this simplified structure, Elliott’s thesis claimed that separating these assets could drive improved operating performance, enhanced capital allocation, and better management focus and oversight. Honeywell ultimately announced in February 2025 its intent to separate into three businesses— aerospace, automation, and advanced materials— although elements of the restructuring had been announced prior to Elliott’s public campaign.

Strategic Alternatives and Divest/Spin-Off Campaigns



 Activist campaigns pushing for strategic reviews or divestitures/spin offs increased 30% from 2024 to 2025. Since 2024, these demands accounted for approximately 29% of campaigns.

Source: FactSet, A&M analysis

The traditional conglomerate break-up thesis, particularly visible in diversified industrial and heavy-manufacturing platforms, has broadened. Today, scrutiny extends to companies operating within a single industry but across segments with materially different growth profiles, capital needs, or implied valuations. In this context, break-ups, spin-offs, and targeted divestitures are increasingly common elements of activist theses.

In a separate Q3 2025 campaign, Elliott targeted PepsiCo. Unlike the break-up thesis advanced at Honeywell, this campaign has not focused on separating a massive conglomerate structure that spanned multiple industries. Instead, the emphasis focused on assets that were closely intertwined but had different growth potential, capital intensity requirements, and operating profiles.

Elliott urged PepsiCo to consider refranchising its vertically integrated North American bottling operations (contrasted with a franchise-based model employed by The Coca-Cola Company with theoretically greater independence and autonomy) to improve its pricing strategies and local in-store execution. Elliott specifically cited the capital and operationally intensive nature of the bottling businesses as a distraction and departure from what should be PepsiCo's core focus: product innovation and world-class brand building. Elliott also pointed to what it saw as a bloated brand portfolio within PepsiCo's North American beverage business and urged it to review certain brands to simplify its portfolio.

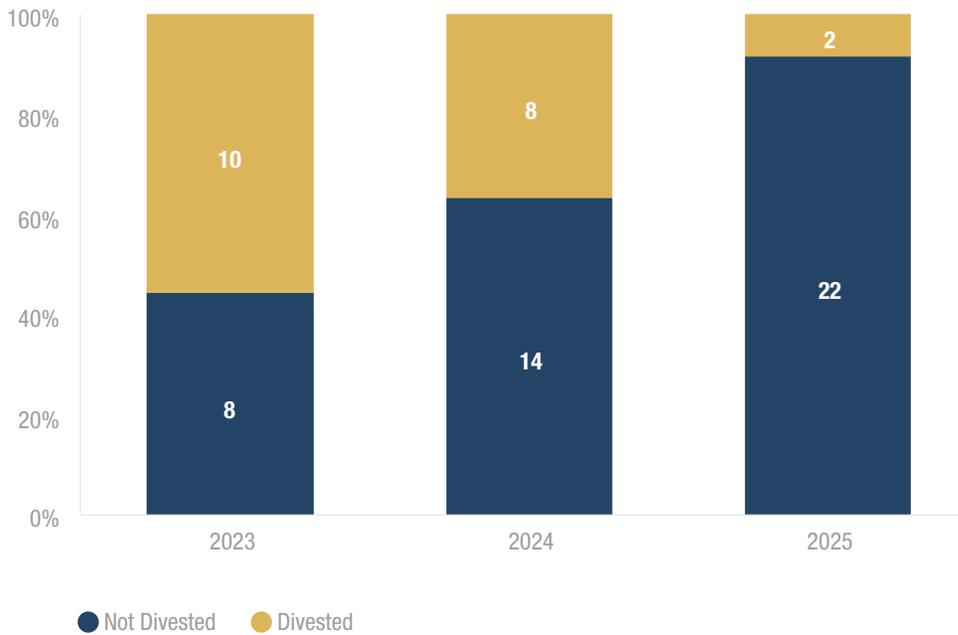
Few observers would characterize PepsiCo's bottling operations or beverage brands as noncore assets. However, Elliott's campaign exemplifies a growing trend among investors that places a premium on companies operating as a pure play, not just in terms of industry or sector focus, but down to the operating segment and SKU level. Portfolio optimization as a cornerstone of activists' strategies is no longer limited to separating unrelated businesses; it increasingly targets structural and operational complexity within otherwise coherent enterprises.

Taken together, the Honeywell and PepsiCo campaigns illustrate a broader set of patterns for boards and management teams to consider:

- **Clear and compelling total equity story:** Companies must articulate how each business unit, segment, or product line contributes to strategic coherence and capital efficiency. Not all segments warrant standalone status, and in many cases, assets are stronger together. Management teams and boards that effectively articulate this to the market can build investor conviction in the company's portfolio and longterm value creation narrative.
- **Continuous business simplification:** Investors are evaluating whether structural complexity, at the segment or even SKU level, obscures value or dilutes management focus. While activists may at times "overshoot" by ignoring or failing to recognize real synergies, companies should proactively assess and explain the rationale for their structures to stay ahead of external pressure.
- **Disciplined product and segment rationalization:** Defenses rooted in legacy synergies or historical strategic fit face heightened skepticism. Arguments for retaining certain assets or segments must be grounded in demonstrable strategic or operational advantages. Otherwise, such arguments may be interpreted as resistance to necessary portfolio discipline rather than evidence of structural advantage.



Asset Divestiture Campaigns and Success Rates



While more activist campaigns are pushing for portfolio divestitures, successfully securing that demand is challenging. From 2023–2025, only 31% of such campaigns/demands were successful. However, as these transactions take time, there may be an increase in “conversions” in 2026 or success from such campaigns that were launched in 2025.

Source: FactSet, A&M analysis.

Note: Success is measured by companies' acknowledgement of activist requests and a subsequent transaction within 18 months thereafter.

Activists and other investors are increasingly willing to challenge complexity and are not waiting for obvious underperformance but rather are targeting blurred strategic priorities and capital tied up in assets that may dilute valuation.

Companies that proactively address portfolio misalignment and simplify where warranted are far more likely to retain control of their strategic narrative rather than have it defined by an activist.

Implication for Management Teams and Boards

Portfolio composition is no longer evaluated solely at the enterprise level. Increasingly, scrutiny extends from segment structure all the way to products on the shelf. Companies must regularly evaluate whether structural complexity or product lines enhance or detract from long-term value creation, and whether that conclusion is defensible under activist examination.



MARGIN IMPROVEMENT AND COST REDUCTION

Margin and cost discipline are under heightened scrutiny, reinforced by integration demands and capital allocation expectations

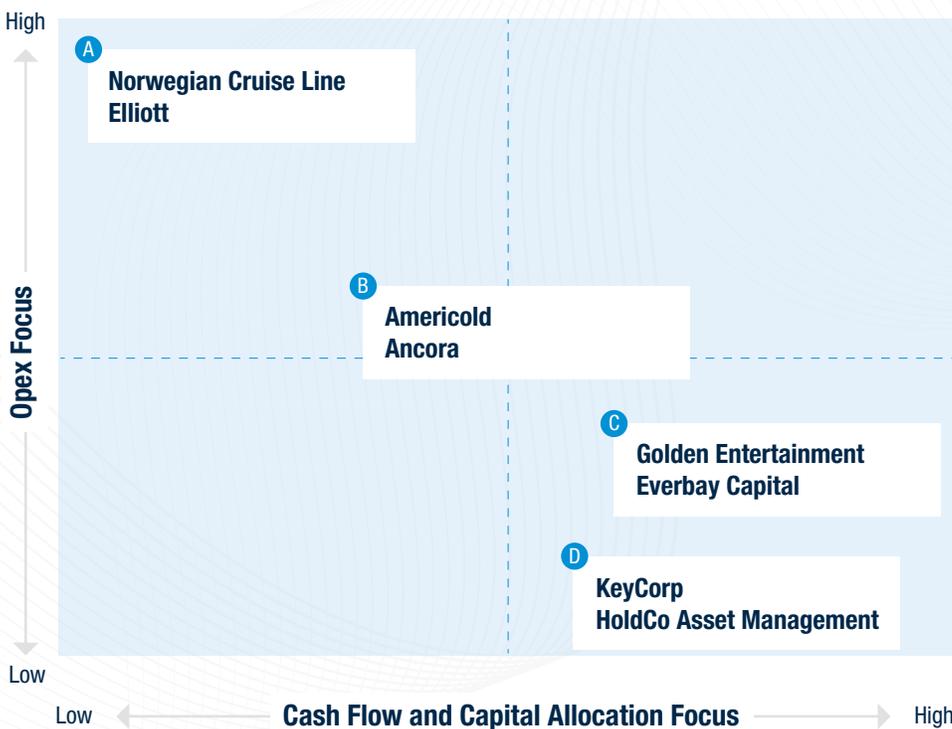
With an expected increase in M&A activity in 2026, we anticipate enhanced investor and activist focus on operational performance, particularly where deals fail to capture synergies and integrate successfully. In an active M&A environment, investors focus not only on the strategic rationale of an acquisition, but also on its execution: Companies pursuing transactions should expect heightened investor scrutiny of diligence rigor, valuation assumptions, integration planning, and synergy realization.

Investors expect acquisitions to not only drive top-line growth but also drive margin improvement and lift valuations.

Using companies in the industrials sector as an example, this margin improvement is typically derived from manufacturing and supply-chain efficiencies, plant consolidation, and the elimination of overlapping SG&A across the combined operations.

Over time, these margin gains should convert into earnings growth as the company leverages its fixed costs, optimizes its footprint, and improves profitability through strategic volume and pricing. Success rests on management's articulated synergy targets and the strong execution of enhancing scale, improving returns on capital, and reinforcing competitive positioning in the company's core markets.

Notable Cost Structure Campaigns



Summary | Outcome

- A. Elliott Management criticized Norwegian Cruise Line's unit costs and SG&A, among other metrics, disclosing its own cost improvement plan as a part of a broader new business plan. | Ongoing
- B. Ancora Advisors pushed Americold Realty Trust to cut SG&A, improve margins, and use cash flow to deleverage, among other issues. | Settlement
- C. Everbay Capital called on Golden Entertainment to complete a real estate sale-leaseback, deleverage, and pay a special dividend. | Ongoing
- D. HoldCo urged KeyCorp to halt M&A and use excess cash to repurchase shares, among other concerns. | Settlement

Source: FactSet, 13-D Monitor, A&M analysis

Even in the absence of M&A activity, activists are scrutinizing margins and pushing for cost reductions in 2026. This focus from investors persists despite that overall corporate profitability continues to rise, with profit margins approaching historical highs.

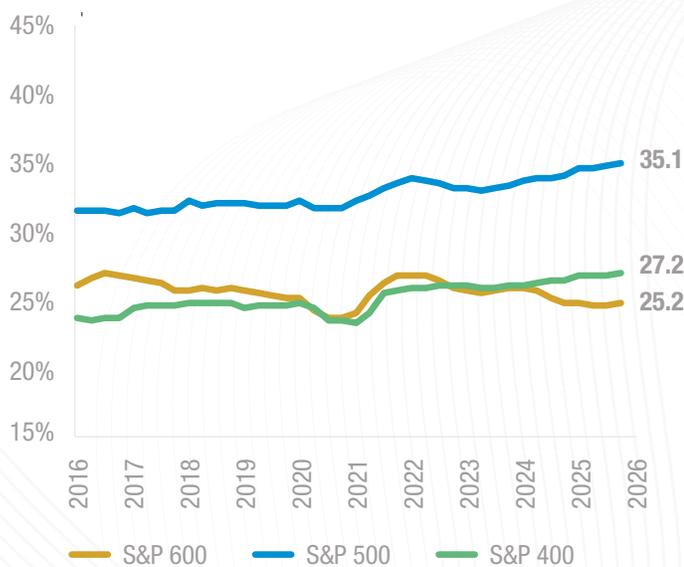
This dynamic is challenging companies to find margin improvement in growth and reduce costs in areas where they are typically reluctant to cut.

Traditional cost reduction levers like back-office optimization have already been exercised by many companies, making further cost cuts challenging. Other cost centers, such as engineering, R&D,

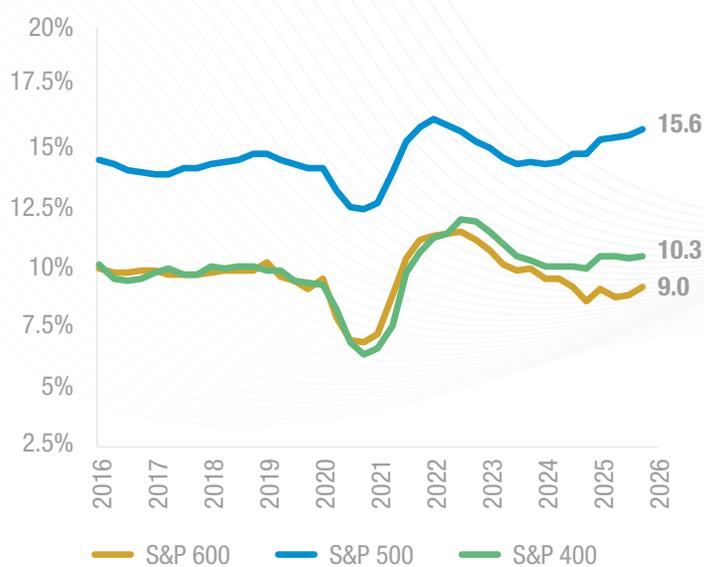
and product development, are also potential areas where trapped costs linger, even in the most efficient companies. Investors are pushing these companies for additional cost reduction and controls, particularly in light of increased capital expenditures and a mandate for AI in all industries as a potential labor cost-saving tool.

In terms of growth, investors are focusing on high-quality revenue, specifically, top-line expansion that rapidly translates into sustained profitability. Additionally, areas like pricing, product-level profitability, and sales productivity will continue to be important metrics for companies to monitor to demonstrate that revenue acceleration can be achieved responsibly and efficiently.

Gross Margin (%) – 10 Yr



Operating Margin LTM (%) – 10 Yr

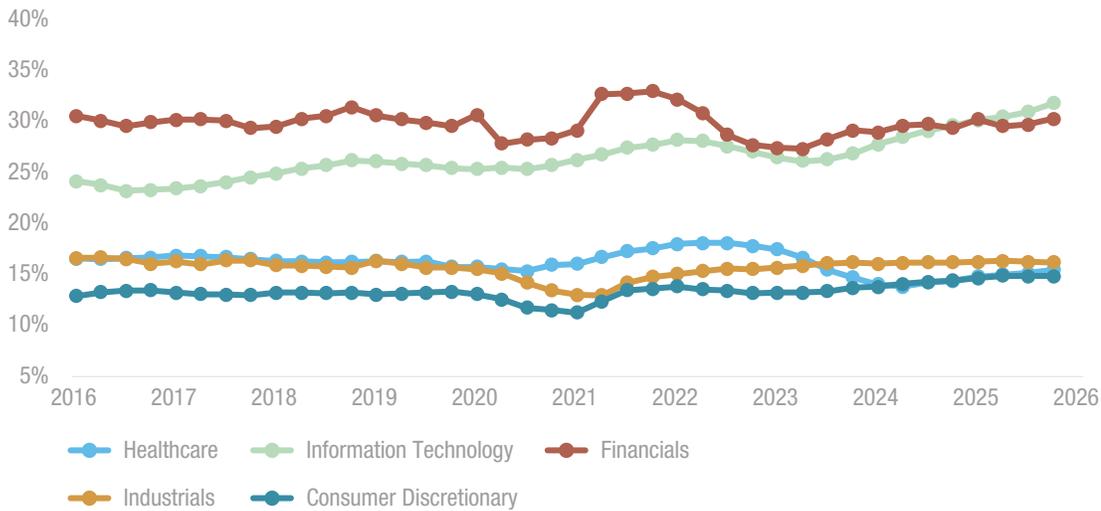


Source: FactSet, A&M analysis



Margin expansion at large-cap companies reflects compounding impacts of scale, pricing power, and operating leverage. Relative underperformance at mid-cap and small-cap companies invites increased activist attention, as they seek to capture margin upside opportunity through campaigns.

Sector EBITDA Margin LTM (%) – 10Yr



Since the start of 2025, the five sectors most frequently targeted by activists (shown in the chart) have all exhibited LTM EBITDA margins that are variable and generally trending upward in the last five years.

Source: FactSet, A&M analysis. Note: Sectors are reflected by S&P 1500 sector composites.

Taken together, recent campaigns and broader market dynamics highlight several recurring patterns for management teams and boards to consider:

- **Targets and actual results in M&A activity:** Announced synergies and cost savings are increasingly viewed as commitments rather than aspirations. Diligence assumptions, integration timelines, and post-close operating performance must be converted into results to drive investor confidence in a company's M&A (and broader capital allocation) strategy.
- **Structural, not cyclical, margin strength:** Investors are differentiating between margins supported by favorable macroeconomic conditions and those driven by embedded operating efficiencies, pricing discipline, and repeatable cost controls.
- **Capital efficiency and return thresholds:** Growth initiatives and cost structures are evaluated against clear return expectations. Businesses that fail to demonstrate returns above their cost of capital may attract scrutiny, with a shrinking window for investors' patience.

- **Cost discipline across the enterprise:** SG&A complexity, overlapping functions, and unaddressed cost constraints are increasingly treated as sources of value leakage rather than necessary operating realities.

In this context, margin performance is not viewed solely as a financial outcome; it is interpreted as evidence of strategic clarity, operational discipline, and capital stewardship. When the proof is in the P&L, activists have fewer angles, and companies keep control of their narratives.

Implication for Management Teams and Boards

Focus on ensuring that M&A is tightly aligned with the company's long-term strategy and aligned with investors' capital allocation priorities. Transactions must be appropriately priced relative to risk and projected synergies, with comprehensive and credible pre- and post-deal diligence increasingly crucial. Additionally, even if acquisitions are not on the horizon for a company, margin resilience and improvement is increasingly interpreted as evidence of strategic discipline and operating rigor. Companies should ensure their M&A and operating decisions are defensible under sustained external examination.

CONCLUSION

With a more robust M&A market, investor focus on portfolio optimization, and persistent pressure on margin improvement, the stage is set for activists to pursue companies with complex portfolios, suboptimal capital allocation, or lagging margins, even in the absence of acute distress. Increasingly, the target profile is not a broken company, but one with unrealized potential.

These themes discussed as shaping shareholder activism in 2026 are interconnected:



A more active and conducive M&A environment expands strategic options and increases transaction feasibility.



A deeper M&A market supports more portfolio optimization and the rationalization of perceived noncore or nonstrategic assets.



Higher transaction volume draws additional investor scrutiny on integration execution, exacerbated by continued investor focus on margin discipline and profitability.

For management teams and boards, the implications are practical:



Strategic configuration should be defensible under external review.



Portfolio composition should align clearly with capital intensity, growth profile, and valuation logic.



Transactions must be supported by rigorous diligence and integration planning. Margin performance must reflect structural strength rather than cyclical lift.

The advantage lies in conducting this evaluation internally before it is imposed externally. Companies that proactively assess vulnerability, address misalignment, and communicate a coherent equity story are better positioned to retain control of their strategic direction. In 2026, preparedness defines resilience and the ability to prevent activist pressure.

A&M SHAREHOLDER ACTIVISM VULNERABILITY MODEL

A&M applies a shareholder activism vulnerability model to assess companies and industries across the market. This proprietary model aligns with how activists identify potential investments and opportunities.

Notably, companies ranking near the top of the model's results are frequently strong performers. They exhibit relatively solid fundamentals, with some combination of a strong management team, portfolio of desirable assets or products, and a platform to generate ROIC above peers. However, they may also present valuation dislocation, capital allocation inefficiencies, or structural complexity that create opportunities for activist engagement.

Model Methodology

The model evaluates companies in the Russell 3000 index with a market cap of at least \$250 million, or approximately 2,500 companies. Companies are ranked based on a weighted score of approximately 20 factors, including total shareholder return, relative valuation, margins and profitability, sales and earnings trends, ROIC, leverage, free cash flow generation, and corporate governance features.

These factors are measured for a given company vs. historical performance as well as industry performance.

Below is an abbreviated list of the three most vulnerable GICS sectors according to the model. These sectors were identified by the number of their constituents ranked in the top 250 of the most vulnerable companies.

Notably, the sectors most vulnerable for 2026 were among the most frequently targeted by activist investors in 2025, suggesting these trends remain potent.

Sector	Number of Companies	Commentary
Information Technology	53	<ul style="list-style-type: none"> Software and consulting firms make up a large segment of the most vulnerable information technology companies, reflecting recent re-ratings across the software and SaaS space. As corporate spend has shifted more to AI infrastructure, this trend to-date has primarily weighed on stock prices but has the potential to impact future growth and margins, creating further valuation dislocations and creating opportunities for activists to push for M&A/industry consolidation and aggressive cost reductions.
Healthcare/ Life Sciences	44	<ul style="list-style-type: none"> Companies in the biopharma industry remain particularly vulnerable, given ongoing investor debates about capital allocation priorities. Heightened expectations for commercial and operational success following significant M&A activity—particularly for companies with significant LOE or near-term patent cliffs that will shrink revenue bases—also drive activist scrutiny. Persistent concerns about returns on R&D and operational efficiency exacerbate these vulnerabilities.
Industrials	37	<ul style="list-style-type: none"> The persistence of conglomerate structures (albeit much smaller as noted above) continues to weigh on valuations in the sector. Relatedly, operational inefficiency and legacy cost structures provide activists with clear value creation paths.

Source: A&M analysis. Note: Vulnerability rankings are current as of end of February 2026 and are subject to change.



THE A&M DIFFERENCE

A&M advises US publicly traded companies, including their boards and management teams, on strategies that maximize value creation and help prevent shareholder activism.

This partnership between A&M's **Shareholder Activism and Contested M&A** and **Corporate Performance Improvement** professionals is unique among advisors who focus on the intersection of the topics discussed in this report: We seek not only to identify companies with potential operating and governance vulnerabilities, but also to help fix, improve, and mitigate these threats.



JAY FRANKL
MANAGING DIRECTOR

jfrankl@alvarezandmarsal.com



ANNIE PEABODY
MANAGING DIRECTOR

apeabody@alvarezandmarsal.com



TOM KIM
SENIOR DIRECTOR

t.kim@alvarezandmarsal.com



GREG SWIATEK
SENIOR DIRECTOR

gswiatek@alvarezandmarsal.com



CHARLIE STACK
SENIOR DIRECTOR

cstack@alvarezandmarsal.com



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