10 QUESTIONS WITH JAY FRANKL

Jay Frankl is a Managing Director with Alvarez & Marsal Disputes and Investigations and leader of the Shareholder Activism and Contested M&A practice. He focuses on assisting management teams and boards of directors with developing and executing on strategies designed to maximize shareholder value, particularly in situations where vulnerabilities become apparent.

13DM// You were appointed to lead Alvarez & Marsal's Shareholder Activism and Contested M&A group last year. Tell us a little more about your practice.

JF// Our practice is focused on helping management teams and boards maximize value, which includes preparing for and responding to shareholder activism and contested M&A. We bring together resources from across A&M, including capital markets expertise, operational excellence, industry depth, and an investor perspective, to help clients strengthen their equity story, optimize capital allocation, and enhance value for all shareholders.

We strive to assess companies the way sophisticated investors do, including activist investors. We provide that perspective to clients along with a detailed path to achieve a higher valuation. Many CEOs and boards of directors believe their businesses are undervalued. In some cases, they are correct. We enable those leaders to understand precisely why and to chart a path to enhance shareholder value.

13DM// When we think of Alvarez & Marsal, we used to think restructuring. Does operational advisory work remain at the core of what you do? How does that relate to shareholder activism?

JF// Yes. Restructuring has always been at the core of A&M's heritage, and it remains one of the firm's great strengths. Building on that foundation, we have grown into one of the world's leading advisors on business transformation and value creation with market-leading practices in operational improvement, transaction advisory, disputes and investigations, tax, and multiple industry verticals.

Shareholder activism is about change and maximizing value for all shareholders. Investors looking for greater value creation from the companies they hold may look for some form of business transformation as the catalyst. Whether the change thesis presented by the activist investor is the optimal plan or not, it requires management teams and boards to respond with well-reasoned, succinct explanations of their strategy and its underpinnings. We have found that companies need advisors who know their industry, understand their strategy and the underlying operating model, and can integrate the strategic, financial, tax, and transaction pieces together. With all of those capabilities under one roof at A&M, we can bring the right team of subject matter experts together to respond to the needs of corporate leaders while adding instant credibility with investors.

13DM// A&M does everything from restructurings to operational advisory work to private equity. How does having access to that variety of practice areas inform your work with activism and benefit your clients?

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JF// Activist campaigns rarely center on a single issue. They often involve theses with strategic, operational, financial, transactional, and tax considerations, so we often call on our colleagues from across A&M to assist clients in these situations.

That integrated approach is also one of the reasons clients rely on our perspective. At our core, A&M is built on value creation and operational improvement, with a culture of swift and decisive action. Our interests are fully aligned with clients and our sole focus is on identifying and implementing the strategy that creates the greatest value in the shortest time.

13DM// How are companies receptive to frank conversations about where they might be vulnerable to activists and what they can do to pre-empt or prevent it?

JF// The companies we work with seek our perspective on maximizing value for all shareholders and outperforming peers. With A&M's industry, operational, and transactional expertise, we offer candid, unvarnished perspective to our clients. The goal is not simply to make a company less vulnerable to an activist campaign. It is to identify opportunities to strengthen the business, improve performance, outperform peers, and create sustainable long-term shareholder value. Companies that outperform their peers and indexes are generally less vulnerable to shareholder activism.

13DM// Do you think boards and management teams have a sufficient appreciation of their activist vulnerability? What are the most common blind spots you see among boards before an activist arrives?

JF// No. Most boards and management teams understand their businesses and are generally aware of where they are underperforming and may be vulnerable.

We often see a disconnect in how corporate leaders assess the severity of those vulnerabilities. Institutional investors are not always as candid as they could be with CEOs because they do not want to disturb constructive relationships and access. As a result, companies may not fully understand the level of frustration that exists until an activist campaign launches.

Another misconception is that activists only target the weakest performers. In reality,

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companies with decent fundamentals and ample free cash flow with opportunities to unlock additional value can be especially attractive activist targets. Such companies can offer meaningful upside even with middling performance, making them compelling opportunities for activists to pursue.

13DM// How does a robust M&A environment affect shareholder activism?

JF// A robust M&A environment tends to support higher levels of shareholder activism, not simply because there are more transactions to pursue. Strong M&A markets create more strategic options for companies and, in turn, more opportunities for activists to claim that more value can be realized.

In such an environment, like the one that we are in, activists can have the upper hand because they get two bites at the apple. If management executes its strategic plan and delivers improved performance, the activist benefits from the resulting value creation. If management falls short, the activist can present both a case for operational improvement and strategic alternatives, including a sale of the company. In other words, a healthy M&A market gives activists additional paths to realize value, often on a shorter timeline, making M&A an even more attractive strategy.

13DM// Have activists become better operators over time, or are they simply better at identifying operational opportunities?

JF// With a few exceptions, most activist investors are capital markets professionals, not operators. However, activists have evolved in how they develop operationally focused investment theses, including assessing the feasibility and time required to implement those plans.

We have seen that activists are increasingly sophisticated and well researched. Many now draw on expert networks, former employees, prospective board members, and consultants to identify operational improvement opportunities and validate their ideas. The impact is that activists can open a dialogue with companies backed by very well-informed and well-sourced value creation ideas and plans.

13DM// What expertise or skill set is most critical for board members today, and what capabilities leave a board vulnerable if they are lacking?

JF// It ultimately depends on the company, board construction, and the industry, though activists tend to be most critical of directors in two primary areas. The first is industry expertise. Activists scrutinize whether directors have deep knowledge of the company's business, the basis for that perspective, and the current competitive landscape. The second is board tenure. Activists scrutinize whether long-tenured directors have retained their independence and objectivity. They also argue that extended tenure can leave the board too deferential to management to confront operational underperformance.

Beyond specific skills, one of the biggest differentiators for companies is how open and connected the board is to shareholder perspectives. Boards that hear directly from investors, rather than relying solely on filtered feedback, are unquestionably better positioned to understand emerging concerns and tone and are therefore more likely to address those concerns before they become contentious.

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13DM// What mistakes do management teams make during the first 30 days after an activist becomes involved?

JF// A common mistake is treating the campaign as static and the opening salvo as the lasting set of goalposts. Activist situations evolve quickly as investors gain feedback from one another and new information emerges. The assertions an activist makes early on may change as they receive feedback from other investors and former employees. This reflects an asymmetry where activists avoid being pinned down to a single claim or idea, while management teams and boards are held more rigidly accountable for what they say and do. Management teams must remain agile, ensuring their strategy is grounded in credible positions, and adapt their response as the campaign develops.

13DM// Tell us about an activist situation that changed the way you think about value creation.

JF// Rather than a single activist situation, I'd focus broadly on how value creation in activism campaigns has evolved. Today, campaigns are increasingly built around multiple, credible paths to value creation rather than a single idea or demand. Activists increasingly push for a combination of operational improvements, strategic initiatives, capital allocation changes, and transaction alternatives to capture value.

That evolution has reinforced my belief that the strongest defense against activism is a credible, well-articulated value creation strategy and defensible execution before an activist makes the case for change so companies can retain control of their narrative before a new one is defined for them.