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Expect to See More Shareholder Activism in 2015, But Fewer “Gloves Off” Situations

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But, while we expect some high-profile battles, not all activist situations will be as contentious next year. More companies are listening to advice from investors (and some more humbled advisors) and deciding it may be helpful to add some new perspectives to the board. A recent Wall Street Journal article pointed out that Bank of New York Mellon Corp., one of the nation’s oldest banks, added a representative from Trian Fund Management to its board of directors, which avoided what was shaping up to be a heated proxy battle.

Both companies and activist investors are coming to realize that proxy fights are expensive and take a lot of time and energy away from other things. In addition, after talking to their shareholders, all parties may come to the conclusion that a proxy fight might reach almost the same outcome as a settlement. In this environment, we expect to see more dialogue between activists and companies in 2015.

The WSJ story also noted, citing data from FactSet SharkWatch, that activist investors have been victorious, either by a vote or by a settlement, in 72 percent of all shareholder votes, far exceeding last year’s record 63 percent. We expect this number to remain high in 2015 as more large mutual fund companies, both with active and passive strategies, come to believe that activist investors, especially those that bring strategic advice to the table, can add long-term value to the companies they own.

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