



IPO SERIES: TO, THROUGH, AND BEYOND THE IPO

# BEING PREPARED AND CREATING AN ACTIVIST DEFENSE STRATEGY

Tapping the financial markets through an IPO is both an exciting and challenging task. You have chosen professionals for your legal and financial matters and now you need to add the expertise of a transfer agent and proxy solicitor. In this series – “To, Through and Beyond the IPO” – EQ and its affiliate, D.F. King, an EQ Company, share their deep expertise and insights into the entire process as a private company goes public.



## THE REALITY OF HAVING SHAREHOLDERS

As a newly public company, you will need to have a heightened awareness of your shareholders, the different types of investors, the investment decisions they make and the voting policies and practices that will impact the company in the near future. Having public shareholders also means the possibility of an activist investor applying pressure on management, calling out poor performance or seeking to influence the company’s strategy, capital allocation and operations. Activists may apply pressure by seeking board representation, attacking board composition or diversity levels or criticizing the company’s corporate governance, takeover defenses or executive compensation program. It is never too early to begin preparing to deal with shareholder activism and other potential vulnerabilities.



## PREPARATION IS KEY TO A SUCCESSFUL DEFENSE

You can start immediately with the right preparation and analytics so that your company is fully prepared for an activist approach. The situation may not ever happen, but if it does, you’ll be prepared to address it proactively with a well-vetted communications program, or perhaps even preclude it by having appropriate measures in place. This will position the company for success.

# HOW TO PLAN FOR ACTIVIST INITIATIVES



**FOSTER THE DISCIPLINE OF INCLUDING YOUR DEFENSE STRATEGY IN REGULAR PLANNING**



**SEEK COMPREHENSIVE ADVICE BEFORE BECOMING A TARGET**



**ACTIVELY MONITOR AND ENGAGE WITH YOUR SHAREHOLDER BASE**



**ESTABLISH AND MAINTAIN GOOD GOVERNANCE PRACTICES**

## FOSTER THE DISCIPLINE OF INCLUDING YOUR DEFENSE STRATEGY IN REGULAR PLANNING

- Know your company's strengths and weaknesses in key business areas that may invite activism, and make your defense strategy a part of ongoing planning.
- Develop the practice of pre-planning for activism based on potential trigger issues even if this pre-planning work is reviewed internally and kept on file for reference.
- Be prepared with responses to address investor concerns about revenue growth, profitability measures and margins, and maintain up-to-date comparisons of such metrics to peer companies.
- Articulate the company's capital allocation strategy and listen to investor concerns.
- Be sure to keep key points related to your defense strategy up to date based on the latest financial results, trends, and developments.

## FOSTER THE DISCIPLINE OF INCLUDING YOUR DEFENSE STRATEGY IN REGULAR PLANNING

- Comprehensive corporate governance consulting and proxy solicitation services are a necessity.
- Assemble your response team before activism begins. This typically includes a law firm, investment bank, a public relations firm and a proxy solicitor.

- Study the company's potential vulnerabilities with respect to business performance, the board of directors, corporate governance practices, and executive compensation programs.
- Preparation is the key to prompt execution of an effective communications strategy when issues arise.

## ACTIVELY MONITOR AND ENGAGE WITH YOUR SHAREHOLDER BASE

- Know your shareholders and what drives them. Understand the breakdown of actively managed, passive and indexed investors.
- Shareholder engagement strategies must be tailored to different types of investors and their unique engagement procedures.
- Study voting history in other activist situations, including the level of opposition to management and the board.
- Know the extent to which top investors are influenced by proxy advisory firms (ISS and Glass Lewis) and which investors have voted contrary to these recommendations in the past.
- Hardwire this knowledge on investor behavior into your strategic planning as well as your engagement around earnings, corporate governance, and executive compensation.

## ESTABLISH AND MAINTAIN GOOD GOVERNANCE PRACTICES

- Companies need to understand their corporate governance profile, best practices in the market, and the guidelines and hot buttons of institutional investors and proxy advisory firms to gauge investor reactions in advance.
- If an activist does emerge, well-vetted practices, board involvement, and experience with a strategically sound investor engagement program can provide critical foundational credibility and support for your position.
- Seek to be open and transparent in your investor communications, financial reporting, discussions of board skill sets, and other matters that can impact shareholder perception of the company and how it is run.

There's no need to go it alone. Partnering early on with a top-tier proxy solicitation firm with extensive experience in shareholder activism, M&A, and corporate governance has a double advantage: we can help a young IPO company immediately understand the market, industry trends, and potential threats before they occur, and the company can quickly adopt a proactive stance to meet all challenges with an adept engagement program. Remember, when it comes to activism, the best defense is a good offense!

## About Us

EQ are specialists in helping you better understand and manage the ownership of your company through critical events across the corporate lifecycle. As trusted advisors, we provide strategic insight and operations expertise through our core business units in Private Company Services, Transfer Agent Services, Employee Plan Solutions, Proxy Services, and Bankruptcy. Globally we serve 6,700 clients (47% of the FTSE 100 UK and 35% of the S&P 500), with over 30 million shareholders, through 6,500 employees in 5 markets around the world.

## Contact Us

We would welcome the opportunity to meet and provide more information on the full range of our IPO Services and how we can help before, during, and after the IPO. Please contact us at [newbusiness@equiniti.com](mailto:newbusiness@equiniti.com)

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