NYC Immersion Seminar: Shareholder Engagement & Activist Investing

Time:

Spring B 2017, Four Fridays in March – April.

The dates are: March 24 and 31, and April 7, and 28.

Instructor:

Wei Jiang (wj2006@gsb.columbia.edu)
Arthur F. Burns Professor of Free and Competitive Enterprise
Vice Dean for Curriculum and Instruction
Uris Hall 101, office hours by appointment

Teaching assistant:

Rebecca DeSimone (rdesimone19@gsb.columbia.edu)

Course Overview

This course is one of the New York City Immersion Seminars offered by Columbia Business School. The immersion courses are designed to build upon our school’s advantageous location and access to captains of industry. The course, like other Immersion Courses, takes place over four Fridays in Term B of the Spring Semester.

The rise of shareholder engagement and activist investing, especially by hedge funds, during the past two decades has sparked debate across markets, boardrooms and even presidential campaigns: Is shareholder activism good or bad for business? Should managers and board members embrace shareholder engagement? What roles do traditional institutional investors play, especially when engagement escalates into a contest? This half-course elective provides an in-depth analysis of the key issues in shareholder engagement and activist investing from the perspectives of activist investors, corporations that are potential targets of aggressive shareholder activism, institutional shareholders, and financial advisors. Topics covered include:

- What is shareholder (and especially hedge fund) activism and why has it become important?
- The institutional background and legal rules governing activist investing – disclosure, insider trading, and voting, etc.
• How activism has reshaped corporate policies (including payouts, investments, and governance) and firm boundaries (via asset reallocation and spin-offs/acquisitions). Has activism imposed “short-termist” pressure on corporate managers?
• How do institutional investors decide when/whether to support activist investors or management?
• How should the various constituencies (activists, targets, institutional investors, and financial advisors) work together?

Class sessions consist of lectures and case discussions, mostly in the morning, and guest lectures by industry leaders in the afternoon. The guest speakers will address the key challenges they face, the changes they foresee, and the types of skills they look for in recruiting.

Currently the following guest speakers have confirmed (or tentatively confirmed) their engagement:


2. Tim Donohue (CBS 1992): CIO of Columbia University Endowment. (Here is the news release about Mr. Donohue’s appointment: http://www.ai-cio.com/channel/NEWSMAKERS/Columbia-Endowment-Names-New-CIO/). Mr. Donohue will discuss how the fund he manages determines the allocation to activist strategies and what kind of qualities his team values when making hiring decisions.

3. Michelle Edkins: Global Head of Investment Stewardship, BlackRock. (She is featured in a recent Wall Street Journal article: http://www.wsj.com/articles/the-new-corporate-power-brokers-passive-investors-1477320101.) Ms. Edkins will discuss how her team makes proxy voting decisions on behalf of BlackRock holdings in contests between activist shareholders and management.

4. (To be confirmed by April 1st) Paul Hilal (CBS 1992): Founder of PCH Capital and former partner of Pershing Squares. (He is featured in this Wall Street Journal article: http://blogs.wsj.com/moneybeat/2015/01/30/bill-ackmans-latest-pick-fellow-hedge-fund-manager-phil-hilal/) Mr. Hilal will hold a “fireside chat” with Professor Jiang where he will share his experience and insights as a veteran activist.

5. Brian M. Jacoby: Partner and Senior Analyst of Trian Partners. (Here are the white papers that analyze Trian’s main recent engagements https://trianpartners.com/white-papers/.) Mr. Jacoby will discuss Trian’s recent engagement with Dupont.

Mr. Katzman will discuss matters from the “defense” side, that is, how companies that are actual or potential targets should prepare for the situation, with an emphasis on trust and confidence building.

Prerequisite and Connection to the Core

- Students must have taken Capital Markets in a previous semester or have registered for Capital Markets in Spring 2017. The course will rely heavily on tools covered in Capital Markets regarding market efficiency, portfolio allocation, and stock performance evaluation.
- The course will be most intimately related to the Finance Core, where valuation of a firm and value creation are recurring themes of the course.
- The course will also be related to Core courses in economics, strategy, marketing, and operations as activists advocate changes in all these aspects.

Assignments and Grading

- 30%: Participation in classes.
  - Attendance to all sessions is mandatory and accounts for 20% of the grade. (Missing any day of class will most likely put the student out of the “H” range.)
  - The participation grade does not necessarily depend on your “air time” during class, but is assessed based on your contribution to the learning in the classroom.
- 30%: Team presentation on “Pitching a company to an activist.”
  - Based on assessment by the instructor (Wei Jiang) (10%), the peers (10%), and the external judge (Joe De Perio) (10%). All members from the same team will receive the same score on team presentation.
  - Teams of five people each must be formed prior to March 31 (the second session), and a leader must be designated.
  - Right after the formation, the team should start working on a presentation (plus supporting materials) recommending a potential target company, preferably from an industry where the students have prior experience, to an activist investor. The target company must have a market capitalization of at least USD$500 million and be domiciled in the U.S.
Between April 14th and 24th, each team must schedule and make a 45-minute meeting with Joe De Perio in his office to go through the materials, and a rough draft must be provided at least a day before the meeting. To schedule, team leaders should contact kaan.tuncel@clinton.com and fiona.xiao@clinton.com.

By April 27 noon, each team must email the instructor two files: (1) A Word or PPT file that contains the full analysis and recommendation. (2) A shortened PPT file (no more than 10 pages including the title page) for use in presentation.

Only one member from each team will present; the default presenter is the team leader.

The presentation by each team will be ten minutes, followed by Q&A.

- 40%: Final paper – independent and individual work.
  - You will write a 3 – 6 page essay analyzing an on-going case of activist investing.
  - The report should: summarize the event, identify key value drivers, and recommend strategies for the activist or for the company.
  - The report is due on May 3rd at 11:59pm.

**General Readings:**


Please go to the next page for the course outline.
<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Lecture number</th>
<th>Lecturer</th>
<th>Topic</th>
<th>Assignment &amp; Delivery</th>
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</thead>
<tbody>
<tr>
<td>24-Mar</td>
<td>10:00-12:15</td>
<td>Lecture 1</td>
<td>Wei Jiang</td>
<td>Overview of Shareholder Engagement &amp; Activist Investing</td>
<td>Pre-session reading on Canvas</td>
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<tr>
<td></td>
<td>1:00-2:30</td>
<td>Guest Lecture 1.</td>
<td>Brian Jacoby</td>
<td>Private Equity Mindset in Public Companies</td>
<td>Pre-session reading on Canvas</td>
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<td></td>
<td>2:30-3:00</td>
<td>Summary</td>
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<td>Groups must be formed before the next session, and a leader be designated</td>
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<tr>
<td>31-Mar</td>
<td>10:00-11:30</td>
<td>Lecture 2</td>
<td>Wei Jiang</td>
<td>Defence Against Takeover and Activism</td>
<td>Pre-session reading on Canvas</td>
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<td></td>
<td>11:45-12:15</td>
<td>Lecture 3</td>
<td>Wei Jiang</td>
<td>Institutional Infrastructure of Shareholder Engagement</td>
<td>Pre-session reading on Canvas</td>
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<td></td>
<td>1:00-2:30</td>
<td>Guest Lecture 2</td>
<td>Jim Katzman</td>
<td>Corporate Side: Trust and Confidence Building</td>
<td>Pre-session reading on Canvas</td>
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<td>2:30-3:00</td>
<td>Summary</td>
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<tr>
<td>7-Apr</td>
<td>10:00-11:30</td>
<td>Guest Lecture 3</td>
<td>Tim Donohue</td>
<td>Activism: Does It Pay to Invest?</td>
<td>Pre-session reading on Canvas</td>
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<td></td>
<td>11:40-12:15</td>
<td>Lecture 3</td>
<td>Wei Jiang</td>
<td>(Continued) Institutional Infrastructure of Shareholder Engagement</td>
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<td>1:00-2:30</td>
<td>Guest Lecture 4</td>
<td>Michelle Edkins</td>
<td>Investment Stewardship in Proxy Voting</td>
<td>Pre-session reading on Canvas</td>
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<td>24-Apr</td>
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<td>This is the latest date by which each group must have met with Joe De Perio for a 45-minute session.</td>
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<td>27-Apr</td>
<td>12:00pm</td>
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<td>This is the latest time I must receive your presentation PPT.</td>
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<td>28-Apr</td>
<td>10:00-12:15</td>
<td>Student presentations</td>
<td>Joe De Perio/Wei Jiang</td>
<td>Pitching a Company to an Activist</td>
<td>Pre-session reading on Canvas</td>
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<td></td>
<td>1:00-2:30</td>
<td>Guest Lecture 5</td>
<td>Paul Hilal/Wei Jiang</td>
<td>Fireside Chat on Shareholder Engagement</td>
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<td>2:30-3:00</td>
<td>Teaching evaluation and instruction for final paper</td>
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<td>3-May</td>
<td>11:59pm</td>
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<td>This is the latest date by which you need to submit your final essay to Canvas.</td>
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