

## ACTIVIST INVESTORS: WHO YOU GONNA CALL?

CONSILIUM TALKS TO ROTHSCHILD & CO'S INVESTOR ADVISORY PRACTICE'S CO-HEAD OF SHAREHOLDER ENGAGEMENT, ALICE SQUIRES, ABOUT HOW TO PREPARE FOR AND MANAGE ACTIVIST INVESTORS



### What is an activist investor?

This can cover a broad spectrum. At one end there are specialist Activist Funds (such as Elliott or Trian) which deploy large sums of capital in companies and seek returns via public and private strategic campaigns to highlight value. At the other end, there are niche pressure groups who may be less financially motivated and instead address societal and environmental issues. Increasingly many mainstream investors and passive index investors (who may have previously confined their views to private company discussions) are becoming 'reluctant' or 'constructivist' activists and launching public campaigns to affect change and drive value.

### Are activist investors becoming increasingly influential in Healthcare?

Yes, a record amount of capital was deployed in 2018, \$65bn (\$62.4bn 2017) and a record 161 board seats were won by activist investors globally. Campaigns are growing in Europe, with a record 688 companies subject to activist campaigns in 2018 (566 in 2017), and 10% of these were in the healthcare sector.

### What is driving this trend?

At a high level, it is being driven by wider macro-economic challenges, regulatory, environmental, political and societal pressures which create the conditions necessary to enable activists to challenge Boards, to demand greater transparency and hold them to account.

At a bottom up level, the growth in specialist activist funds has been driven by their ability to promise or generate above market returns in a low growth, low interest rate world. There is considerable variation in the actual returns delivered and between returns within different types of campaigns. Transaction-focused campaigns appear to deliver better returns, average +13% on a 12-month outlook, versus campaigns pursuing governance change, which is -3%. It is likely therefore we may see more of the bigger, bolder, transaction-focused campaigns, focused on strategic change in the future or challenges like Elliott to the Bristol Myers Squibb acquisition of Celgene.

### Can activism be a force for good?

A force which promotes greater accountability to drive better returns clearly has the potential for good. It is, however, very case specific. At the most sophisticated end of the spectrum, fund managers comment that the quality of research and due diligence they see in activist campaigns can be superior to sell side research. Activists can and do identify undervalued targets and propose fundamental changes, which could benefit all investors.

However, what looks obvious from an external perspective to an activist may be value destructive for commercially sensitive reasons and the time frame over which activists are investing is not aligned to the long-term interests of the rest of the register. The time, cost and energy which management expend defending an activist campaign can also be a significant drain...CONTINUED...



## MONTHLY INTELLIGENCE

### MEDIA MOVES

- **Jo Shorthouse** has left Scrip and is now a freelance features writer
- **Hannah Uttley** is joining The Daily Telegraph as Reporter covering the pharma sector at the end of September
- **James Burton** is joining The Daily Telegraph as Business News Editor at the end of September
- **Yasmeen Abutaleb** has joined The Washington Post as Health Policy reporter
- **Philip Hemme** has stepped down as CEO of LaBiotech
- **Fiona MacRae** and **Rosie Taylor** are covering health news for The Times over the summer while **Chris Smyth** and **Kat Lay** are on extended leave

### INVESTOR MOVES

- **José Antonio Mesa** has left La Caixa and joined Alta Life Sciences



## ACTIVIST INVESTORS: WHO YOU GONNA CALL?... CONTINUED

### What strategies can companies adopt to avoid disruption by activists?

Be alert to vulnerability. Activists look for underperforming share prices and catalysts. They are also looking for a share register where they can get support and will exploit weaknesses in corporate governance/remuneration votes, or across the range of ESG issues, to establish a stronghold.

Know your share register and how well aligned and supportive it is of company strategy and the Board. Shareholder engagement is now a Board level issue (including Chairman and SID roadshows) and needs to include passive/index funds, given the weight of capital on the register. There are a wide range of ways to do this via perception studies, intelligence around

investor meetings, analysis of register behaviour, developing and accessing new buyers and advice around messaging, strategy and governance.

### How should companies engage with activists?

Meet, listen and respond to questions, correct misconceptions, which may be underpinning the challenge. Be aware that the activist is likely to have spoken to existing shareholders before speaking to you and will continue to do so through an investment campaign. They can only win if they can get support, so understand the alignment between the activist and the rest of the register via intelligent targeted engagement on an ongoing basis - that's crucial when it comes to defending yourself.

## THIS MONTH'S MOVERS AND SHAKERS

- Allergy Therapeutics appointed **Mary Tavener** as Non-Executive Director to the Board
- Sanifit appointed **Guy Paul Nohra** and **Damia Tormo** as Non-Executive Directors to the Board
- Oxford Biomedica appointed **Robert Ghenchev** as Non-Executive Director to the Board
- The Dementia Discovery Fund appointed **Jonathan Behr** as Partner
- F-star appointed **Darlene Deptula-Hicks** as CFO and **Tolga Hassan** as COO
- Helsinn appointed **Giorgio Calderari**, Group General Manager and COO, to its Board
- Pfizer Inc. appointed **Dr Scott Gottlieb** to its Board of Directors
- Novartis promoted **Marie-France Tschudin** to President
- Roche promoted **Thomas Schinecker** to CEO of Roche Diagnostics, effective 1 August 2019
- MorphoSys appointed **Jean-Paul Kress** as CEO, effective 1 September 2019
- Verona Pharma appointed **Nina Church** as Executive Director of Global Clinical Development
- LEO Pharma announced that **Gitte Aabo** will step down as President and CEO and will be replaced by **Catherine Mazzacco**, effective 1 August 2019
- Immunovant appointed **Pete Salzmann** as CEO, who joins from Eli Lilly
- Adaptimmune promoted **Adrian Rawcliffe** as CEO, replacing **James Noble** who will retire, effective in September
- Polyphor appointed **Frank Weber** as Chief Medical and Development Officer
- LabCorp appointed **Adam Schechter** as President and CEO, replacing **David King**, who will become Executive Chairman, effective 1 November 2019
- OncoCyte appointed **Ronald Andrews** as CEO, with **William Annett** remaining in an advisory role
- Theravance Biopharma appointed **Andrew Hindman** as senior VP and CFO
- Outset Medical appointed **Rebecca Chambers** as CFO
- Gamida Cell appointed **Tracey Lodie** as CSO, while **Tony Peled** transitions to CTO
- Progenity appointed **Eric d'Esparbes** as Senior VP and CFO
- ReViral appointed **Alex Sapir** as CEO and **Eddy Littler** as COO
- Grail appointed **Hans Bishop** as CEO and announced the departure of **Renée Galá** as CFO
- Celsius Therapeutics appointed **Tariq Kassum** as President and CEO and **Alexis Borisy** remains Chairman of the Board of Directors
- Verastem announced that **Robert Forrester** resigned as CEO
- Becton Dickinson appointed **Puneet Sarin** as worldwide President of BD Biosciences
- Comet Therapeutics appointed **David De Graaf** as CEO
- Maze Therapeutics promoted **Jason Coloma** from COO to CEO
- Ultragenyx Pharmaceutical promoted **Erik Harris** to Executive VP and COO
- Veravac appointed **Joshua Soldo** as CSO and **Carmen Wiley** as CCO
- Frontier Medicines appointed **Chris Varma** as President and CEO
- Recursion appointed **Sharath Hegde** as CSO
- Medherant appointed **John Burt** as CEO
- KromaTiD promoted **Christopher Tompkins** as CEO
- Cognito Therapeutics appointed **Mihály Hajós** as CSO
- Pluristem Therapeutics appointed **Yaky Yanay** as sole President and CEO, **Zami Aberman** steps down as Co-CEO but will remain as Executive Chairman of the Board
- Merrimack announced that **Richard Peters**, **Jean Franchi** and **Gary Crocker** resigned as President and CEO, CFO and Chairman of the Board respectively
- ObsEva appointed **Dr Elizabeth Garner** as CMO
- Pacira Biosciences appointed **Max Reinhardt** as President

CONSILIUM IS PROUD TO BE A MEMBER OF:



HIGHLIGHTED FUNDRAISING ACTIVITY FROM JUNE TO JULY 2019

COMPANY NAME	AMOUNT RAISED	TYPE OF FUNDRAISE	COUNTRY	DATE
<b>PUBLIC COMPANY FINANCINGS</b>				
Hansoh Pharmaceutical Group Co.	\$1 billion	IPO	China	13-June-19
Seres Therapeutics Inc.	\$60 million	Follow-on	US	14-June-19
Stoke Therapeutics Inc.	\$142 million	IPO	US	19-June-19
Biohaven Pharmaceutical Holding Co.	\$300 million	Follow-on	US	19-June-19
Kura Oncology Inc.	\$100.3 million	Follow-on	US	19-June-19
Calithera Biosciences Inc.	\$50 million	Follow-on	US	19-June-19
Zymeworks Inc.	\$175 million	Follow-on	US	20-June-19
Codexis Inc.	\$50 million	Private placement	US	20-June-19
Scholar Rock Holding Corp.	\$45 million	Follow-on	US	20-June-19
Mirati Therapeutics Inc.	\$203.7 million	Follow-on	US	25-June-19
Krystal Biotech Inc.	\$100 million	Follow-on	US	25-June-19
ArQule Inc.	\$90.2 million	Follow-on	US	25-June-19
Adaptive Biotechnologies Inc.	\$300 million	IPO	US	26-June-19
Global Blood Therapeutics Inc.	\$200 million	Follow-on	US	26-June-19
The Medicines Co.	\$150 million	Follow-on	US	26-June-19
Odonate Therapeutics Inc.	\$123.5 million	Follow-on	US	26-June-19
BridgeBio Pharma Inc.	\$348.5 million	IPO	US	28-June-19
Adaptive Biotechnologies Corp.	\$300 million	IPO	US	28-June-19
Morphic Holding Inc.	\$90 million	IPO	US	28-June-19
Karuna Therapeutics Inc.	\$89.2 million	IPO	US	28-June-19
Calliditas Therapeutics AB	\$22.6 million	Private placement	Sweden	3-July-19
<b>PRIVATE COMPANY FINANCINGS</b>				
Prelude Therapeutics Inc.	\$60 million	Series B	US	12-June-19
BlackThorn Therapeutic Inc.	\$76 million	Series B	US	13-June-19
ADC Therapeutics S.A.	\$76 million	Series E expansion	Switzerland	13-June-19
InGeneron Inc.	\$23 million	Series D extension	US	13-June-19
Genome Medical	\$23 million	Series B	US	13-June-19
Riverlane	£3.25 million	Seed funding	UK	13-June-19
Viola Bio Inc.	\$75 million	Series B	US	17-June-19
Imcyse S.A.	\$39.2 million	Series B	Belgium	18-June-19
Comet Therapeutics Inc.	\$28.5 million	Series A	US	19-June-19
Cybrex Therapeutics	\$13.4 million	Series B	US	20-June-19
Axial Biotherapeutics Inc.	\$10 million	Series B extension	US	20-June-19
Frontier Medicines Corp.	\$67 million	Series A	US	25-June-19
Singleron Biotechnology Co. Ltd.	\$14.5 million	Seed financing	China	25-June-19
BioEclipse Therapeutics	\$7.7 million	Series A-1	US	25-June-19
Sanifit	\$80.9 million	Series D	Spain	26-June-19
MODAG GmbH	\$13.7 million	Series A	Germany	27-June-19
PanTherix Inc.	\$50 million	Funding round	US	27-June-19
Century Therapeutics LLC	\$250 million	Venture financing	US	1-July-19
Lepu Biotechnology Co. Ltd.	\$130.7 million	Series A	Beijing	3-July-19
Citryll B.V.	\$16.9 million	Series A	Netherlands	3-July-19
IGM Biosciences Inc.	\$102 million	Series C	US	8-July-19
OncoSenX Inc.	\$3.1 million	Preseed round	US	8-July-19
BioNTech SE	\$325 million	Series B	Germany	9-July-19



## 2019

### AUGUST

**Canaccord Genuity Annual Growth Conference**, Boston (7-8 August)

### SEPTEMBER

**Citibank Annual Biotech Conference**, Boston (4-5 September)

**RW Baird Healthcare Conference**, New York (4-5 September)

**Wells Fargo Securities Healthcare Conference**, Boston (4-5 September)

**BioCentury Annual Newsmakers in the Biotech Industry**, New York (6 September)

**Goldman Sachs Annual Biotech Symposium**, London (7 September)

**H.C. Wainwright Healthcare Conference**, New York (9-11 September)

**Cell & Gene Therapy Manufacturing and Commercialization**, Boston (9-12 September)

**Boston Biotech Week**, Boston (9-12 September)

**Boston BioTech BD Conference**, Boston (10 September)

**CAR-TCR Summit Boston 2019**, Boston (10-13 September)

**BAML Global Healthcare Conference**, London (10-13 September)

**Morgan Stanley Global Healthcare Unplugged Conference**, Boston (12-14 September)

**Ladenburg Thalman Healthcare Conference**, New York (24 September)

**Sachs 7th Annual HealthTech Investment Forum**, Basel (24 September)

**Sachs 19th Annual Biotech in Europe Forum**, Basel (25-26 September)

**Cantor Global Healthcare Conference**, New York (23-25 September)

**Cowen & Co. Annual Therapeutics Conference**, New York (25-26 September)

**Rodman & Renshaw Annual Global Investment Conference**, New York (TBD)

### OCTOBER

**ARM Cell & Gene meeting on the Mesa**, Carlsbad (2-4 October)

**LSX World Congress USA**, Boston (7-8 October)

**Sachs Annual Medtech & Digital Health Forum**, Basel (16 October)

**BIA UK Bioscience Forum**, London (17 October)

**BIO Investor Forum 2019**, San Francisco (22-23 October)

**10th Galien Forum**, New York (24 October)

### NOVEMBER

**Numis UK Conference**, London (5-7 November)

**FT Global Pharmaceutical and Biotechnology Conference 2019**, London (11-12 November)

**Credit Suisse Annual Healthcare Conference**, Scottsdale (11-13 November)

**BIO-Europe 2019**, Hamburg (11-13 November)

**Bryan Garnier 2019 Healthcare Conference**, Paris (12-13 November)

**LSX DigiHealth Leaders**, London (13-14 November)

**Investec Best Ideas Conference**, London (18-20 November)

**Stifel Nicolaus Weisel Healthcare Conference 2019**, New York (13-14 November)

**Consilium Strategic Communications Annual Healthcare Conference**, London (19 November)

**Inv€stival Showcase**, London (19 November)

**Jefferies Healthcare Conference**, London (20-21 November)

**Canaccord Genuity Medical Technology and Diagnostics Forum**, New York (21 November)

### DECEMBER

**Berenberg Bank Annual European Conference**, Surrey (2-5 December)

**Piper Jaffray Annual Healthcare Conference**, New York (3-5 December)

**Forbes Healthcare Summit**, New York (4-5 December)

**Citibank Global Healthcare Conference**, New York (5-6 December)

## 2020

### JANUARY

**Sachs 3rd Annual Neuroscience Innovation Forum**, San Francisco (12 January)

**BioTech Showcase**, San Francisco (13-15 January)

**JP Morgan Annual Healthcare Conference**, San Francisco (13-16 January)

### FEBRUARY

**BIO CEO & Investor Conference**, New York, (10-11 February)

**13th Annual European Life Sciences CEO Forum**, Zurich (19-20 February)

### MARCH

**BIO Asia International Conference**, Tokyo (10-11 March)