

Avi (00:00):

One of the questions we get asked by our clients all the time is, why are the activity levels with activism so high?

Avi (00:08):

Hi, I'm Avinash Mehrotra, and this is the Insight. M&A is actually down from the record levels that it was at in 2021. Activism is up and in fact the number of new positions that activists have taken is up almost 50% from where it was about a year ago. And now in fact, one out of every six companies in the S&P 500 has an activist as an investor.

Avi (00:28):

Why is that happening? You know, it's happening because with all this equity market volatility and the fact that investors have been so unforgiving, if a company stumbles or misses their earnings, it's actually provided a good opportunity for activists to accumulate stakes in really good companies that just happen to be trading below their historical averages or below their peers. And in fact, many activists, investors think of themselves as value investors. The activists are actually increasingly going in the direction of large cap companies, and I think they're doing that, you know, because it affords them three different opportunities.

Avi (00:59):

One is they can cause those companies to examine their businesses and portfolios and possibly spin or divest or sell off a business line. The second is they can force a reexamination of the capital structure. Does the level of leverage that the company has, is it appropriate? Can it be higher? Can the company actually increase its dividends and possibly increase its share repurchases? And the third is really around cost containment and cost cutting. In this kind of economic environment where growth is going to be hard to come by, can you use cost measures to drive margins and therefore potentially drive the stock price higher?

Avi (1:31):

So what does this mean for our clients? I think our clients should remember three things in this environment. Number one, stay current on the latest trends. Number two, be prepared. And number three, think like your own activist.

Avi (1:47):

I would've worn, I would've worn a cooler jacket.