



# WILDEST CAMPAIGNS OF 2021

**Elliott Management at GSK**

Legion Partners

Spruce Point at Oatly

**ACTIVIST INSIGHT MONTHLY**  
VOLUME 10 ISSUE 7 | AUGUST 2021

**insightia:**

# TURNING UP THE HEAT

LEGION PARTNERS PREFERS TO AVOID PROXY FIGHTS, BUT SO FAR THIS YEAR HAS LAUNCHED THREE PUBLIC CAMPAIGNS. THE REASON? COVID-19 MAKES BEING AN ACTIVIST EASIER, WRITES JASON BOOTH.

## LEGION PARTNERS

HQ	LOS ANGELES, CA
AUM	\$482M (JUNE 30, 2021)
FOCUS	PRIMARY
FOUNDED	2012

While many other activist funds have been sitting on the sidelines this year or focused on launching special acquisition companies (SPACs), Legion Partners is having its busiest year ever with three public campaigns so far. Legion's willingness to fight high-profile campaigns marks a shift in strategy for a firm that traditionally strives to operate out of the public eye and avoid confrontation with companies. "A proxy fight wastes everybody's time and money," Chris Kiper, Legion's co-founder and managing partner, told *Activist Insight Monthly* in April 2018. They develop only where there is no "path forward to doing things in a private manner."

## NO PATH FORWARD

According to Kiper and co-founder Ted White, the fund's more aggressive approach was driven by the realization that at some long-held portfolio companies, such as Genesco, there was no path forward other than a public campaign. A proxy fight with the specialty retailer was avoided in 2018 with a settlement placing two Legion nominees on an expanded board. A year later, however, management ignored Legion's advice and sold its Lids baseball cap business for \$100 million less than what some analysts estimated it was worth, while refusing to sell what Legion saw as non-core shoe assets in Europe. "They basically dug in their heels and said this is the structure we want to have going forward," Kiper told *Activist Insight Monthly* in a recent interview.

The Genesco proxy fight went to a vote on July 20, the first Legion campaign to do so since 2013. The activist failed to win any seats, in part because the company made several unilateral replacements to its board, which won praise from

proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis and likely swayed many institutional investors in management's favor.

Kiper takes solace in the fact that while the new directors may not have been their first choices, progress was made, saying "It's like a lot of things in life. It's a multi-step process to get to the right answer." Legion maintains a 6% stake in the company.

Prior to the Genesco vote, Legion was enjoying a string of successes. Since the start of 2021 it has gained five seats via settlements at OneSpan and Kohl's Corporation, where it teamed up with Macellum Advisors, Ancora Advisors, and 4010 Capital. Since 2019, it has also won seats via settlements at Landec, Vonage, NN, and most notably Bed Bath & Beyond, where it took four seats and subsequently replaced most of the senior management, again working as a team with Macellum and Ancora.

## COVID CAMPAIGNING

Another reason Legion says it is launching more campaigns is that COVID-19 has actually made activism easier. Logistically, travel restrictions and the broad acceptance of video conferencing meant more could be done in less time and for less money.

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"Because of COVID it was a great year to drive change in that you didn't have to fly all over to meet investors or actually go to ISS and to Glass Lewis," said Kiper. "So, in a year where you probably would have only run one fight, we ran three."

COVID-19 has also served as a corporate stress test, especially among the smaller, under-covered companies that Legion traditionally favors. "To survive COVID they figured out how to get by with less, which means they're going to produce better

earnings going forward,” said White. The companies that don’t embrace the lessons of COVID-19, meanwhile, will likely face more activism.

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While proxy campaigns can be effectively run via video conferencing, due diligence on new investments cannot, according to Kiper and White, who say they are planning several due diligence and marketing trips this fall, assuming a resurgent COVID-19 does not shut down travel again.

## CALIFORNIA RULES

That doesn’t mean the Los Angeles-based duo plan to spend a lot of time in America’s investment capital, New York City.

“I think there’s a massive advantage not being in New York” in terms of generating new investment ideas, says Kiper. “When I go to New York and talk to people I keep hearing the same ideas. It’s really good to be disconnected from the echo chamber that is Manhattan.”

The fund’s California roots run deep. White is a Sacramento native. And while Kiper grew up in Omaha, Nebraska, hometown of fellow value investor Warren Buffett, he got

his first taste of activist investment at legendary Los Angeles investment firm Shamrock Holdings, headed by Stanley Gold. Shamrock, which manages the estate of Roy Disney, the nephew of Walt Disney, helped orchestrate the groundbreaking “Save Disney” activist campaign to oust then-chairman Michael Eisner in 2005.

“Some of the things that we still do today in our firm are tactics and things that I learned while working there with Stan Gold,” said Kiper.

Legion itself was launched with \$200 million in seed money from the California State Teachers’ Retirement System (CalSTRS). CalSTRS remains the single largest limited partner in the fund, and the giant pension plan’s long-term investment outlook is reflected in the activist’s own strategy.

“This isn’t just like a pump and dump scheme where we’re trying to get the stock price up so that we can generate a return and get out,” said White, explaining how Legion’s activist strategy aims to gain the support of long-term investors. “We really want to make sure that we have high performing boards in place that continue to function to benefit all investors for the long run.”

The fund’s own investors have certainly benefitted from the strategy. Since its 2012 inception, Legion has generated an annualized average return of 19.7%, according to its most recent letter to limited partners seen by *Activist Insight Monthly*. Assets under management now stand at \$482 million, up from \$335 million in early 2018. [ia](#)



LEGION LAUNCHED WITH \$200 MILLION FROM THE CALIFORNIA STATE TEACHERS’ RETIREMENT SYSTEM (CALSTRS).