



## European Activism: More Attacks, More Engagement, More ESG Coming in 2023

For the third year, Skadden's European M&A practice has worked with Activistmonitor to survey executives from leading European companies and activist investors to assess their expectations for shareholder activism in Europe over the next 12 months. In this article we summarize the key findings.

- The number of live activist campaigns in Europe grew again in 2022, and companies expect to see more in 2023, according to a survey conducted by Activistmonitor and Skadden.
- Most companies surveyed have spotted weaknesses that could make them vulnerable to activists, and are addressing these.
- ESG issues increasingly figure in European activist campaigns, often alongside other more traditional themes such as governance matters, potential M&A transactions, share buybacks and other approaches to improving shareholder returns.

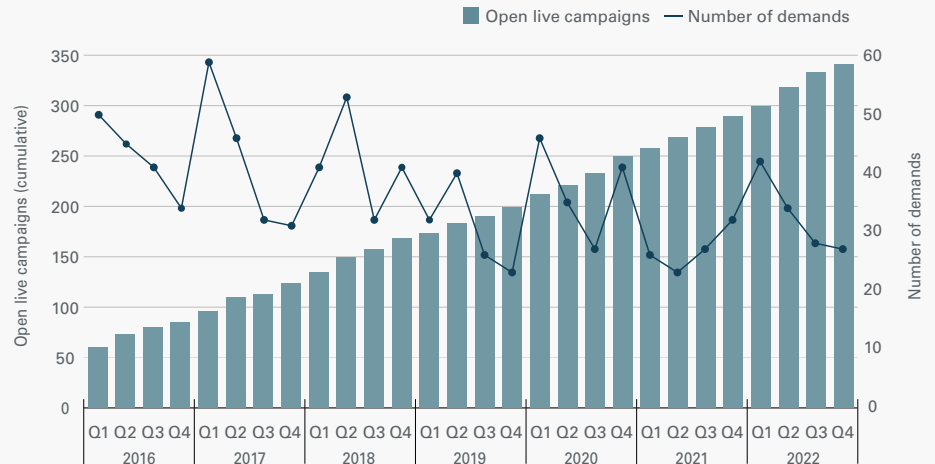
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Major themes we expect to see in 2023 based on the survey include:

- **More campaigns:** 86% of corporations identified new weaknesses that could be raised by activists. Corporations with a market capitalization exceeding \$2 billion were much more likely to be targeted.
- **More engagement:** 71% of the corporations responding anticipate an increase in shareholder activism and, of those, 48% expect a significant increase.
- **More ESG:** 96% of respondents expect that activists will increasingly prioritize ESG issues in their demands.

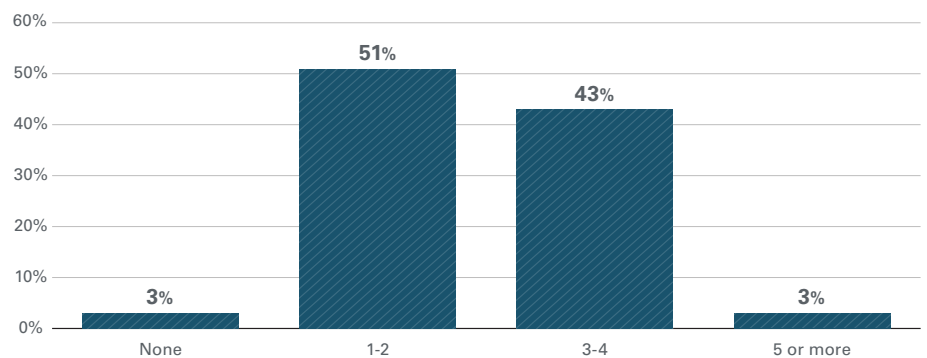
The number of open live campaigns in Europe increased to 341 in December 2022, including 52 campaigns launched in 2022. The largest number of new campaigns were in the United Kingdom (25) and Germany (eight).

### Live campaigns in Europe



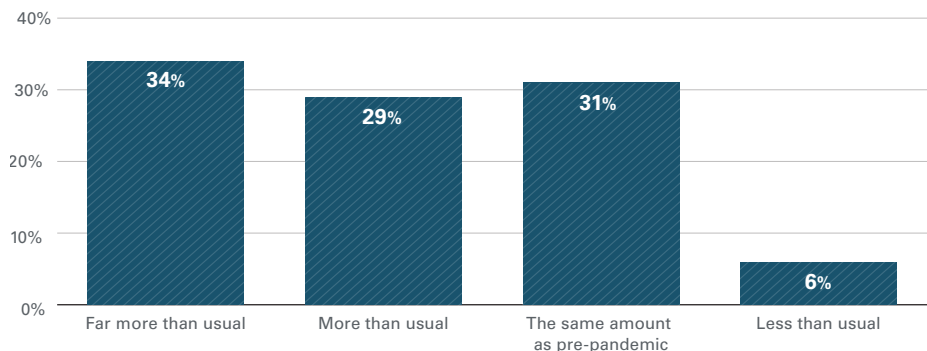
Many corporations have been approached by activists more than once in the past year — 46% at least three times.

### Over the last 12 months, how often has your board been approached (privately or publicly) by activists?



Board discussions of the threat of activist campaigns became more frequent in the past year, according to 63% of the responding corporations.

### Over the last 12 months, how often has your board proactively discussed the threat of activist campaigns?



Corporations with a market capitalization exceeding \$2 billion were much more likely to be targeted.

The types of demands made by activists continue to be varied, with particularly sharp increases in demands regarding cost reductions and operational improvements and demands opposing acquisitions and mergers.

### Total campaigns by market capitalization (live and potential)

Market cap	2021	2022	Growth
<US\$1bn	16	17	6%
US\$1bn-US\$2bn	5	5	0%
>US\$2bn	18	30	67%
<b>Total</b>	<b>39</b>	<b>52</b>	<b>33%</b>

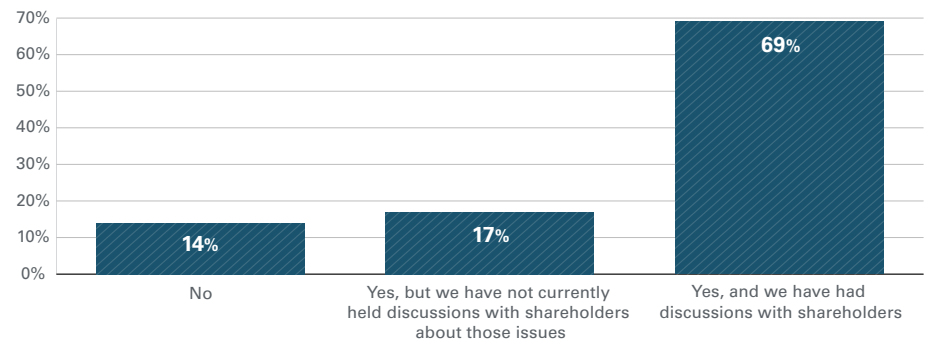
### Demands made in open live campaigns

	2020	2021	2022	Y-o-Y 2022
Discussions	7	0	2	NA
Cost reductions/operational improvements	14	5	18	260%
Share buy-back/dividend/return of capital	9	8	4	-50%
Acquisition/merger	3	3	4	33%
Oppose acquisition/merger	8	6	23	283%
Bolt-on/divestiture/spin-off	13	14	9	-36%
Oppose bolt-on/divestiture/spin-off	1	4	0	-100%
Strategic alternatives	10	6	11	83%
Capital allocation/structure changes	10	4	0	-100%
Governance changes	15	15	13	-13%
Management/board changes	16	17	26	53%
Board member(s) appointment	22	18	15	-17%
Environmental/social changes	2	1	0	-100%
<b>Total</b>	<b>130</b>	<b>101</b>	<b>125</b>	<b>24%</b>

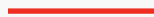
Corporations are concerned about new weaknesses being identified and serving as the basis for attacks by activists.



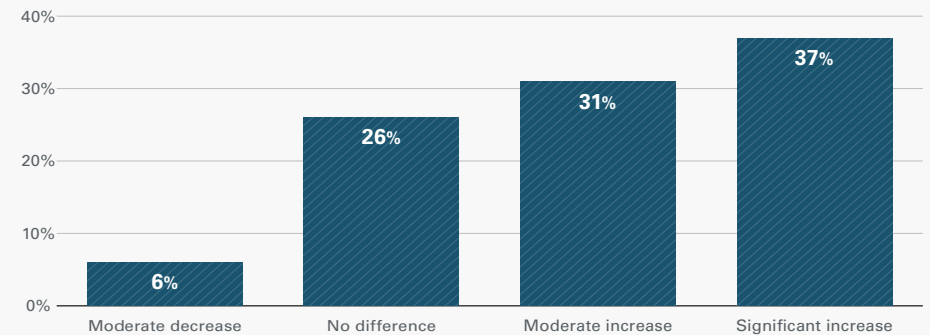
**Over the last 12 months, have you identified any new weaknesses that could be raised by activists in potential campaigns?**



Increased activist activity is expected to lead to a greater number of unsolicited or hostile takeovers.



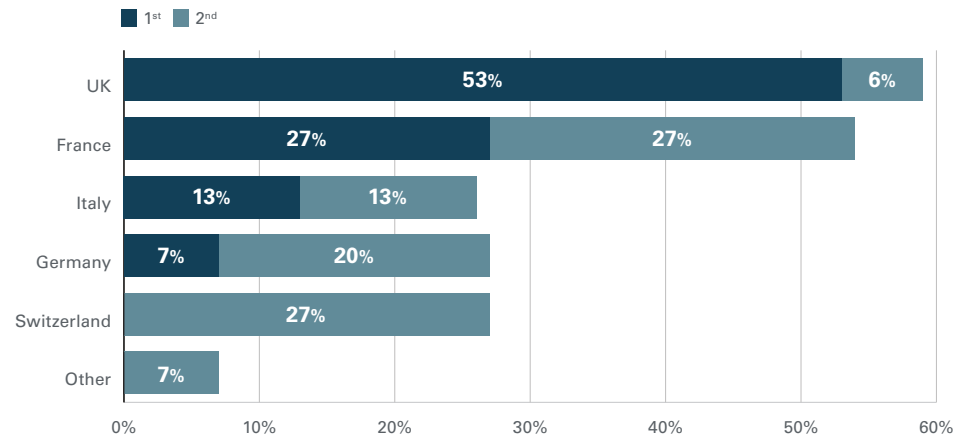
**How do you expect the volume of unsolicited or hostile takeovers in Europe to change over the next 12 months?**



Attacks are expected to continue across Europe ...

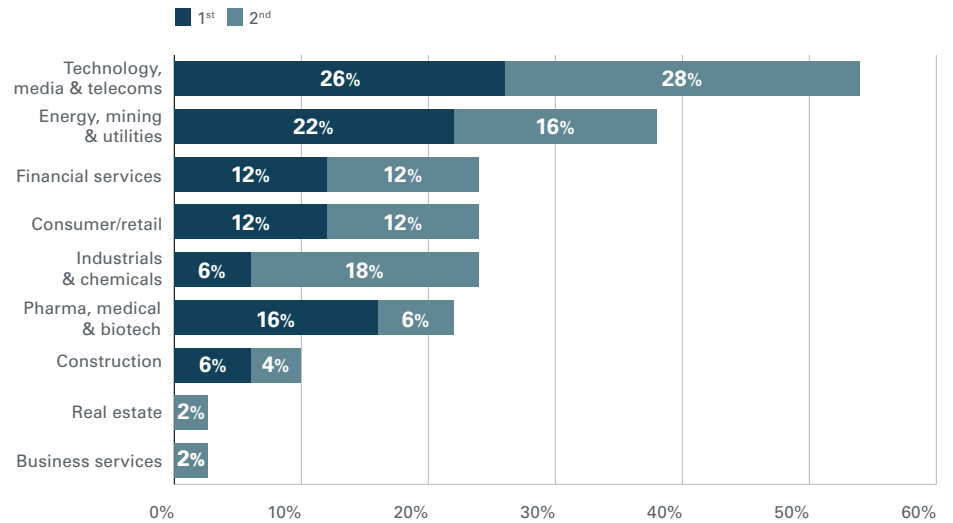


**Which European markets do you expect to offer the best opportunities for activist campaigns over the next 12 months (top two, ranked)?**



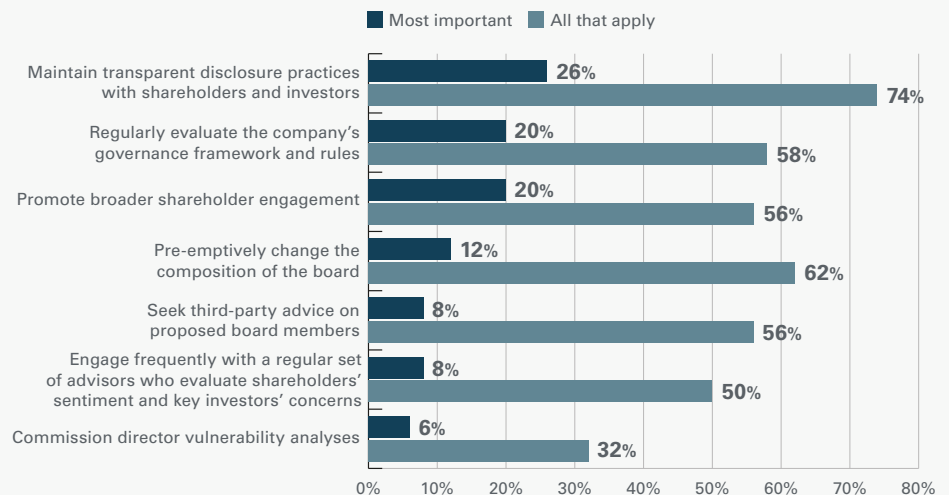
... and across a wide range of industry sectors.

**In Europe, in which industries do you expect to see the most activist campaigns over the next 12 months (top two, ranked)?**



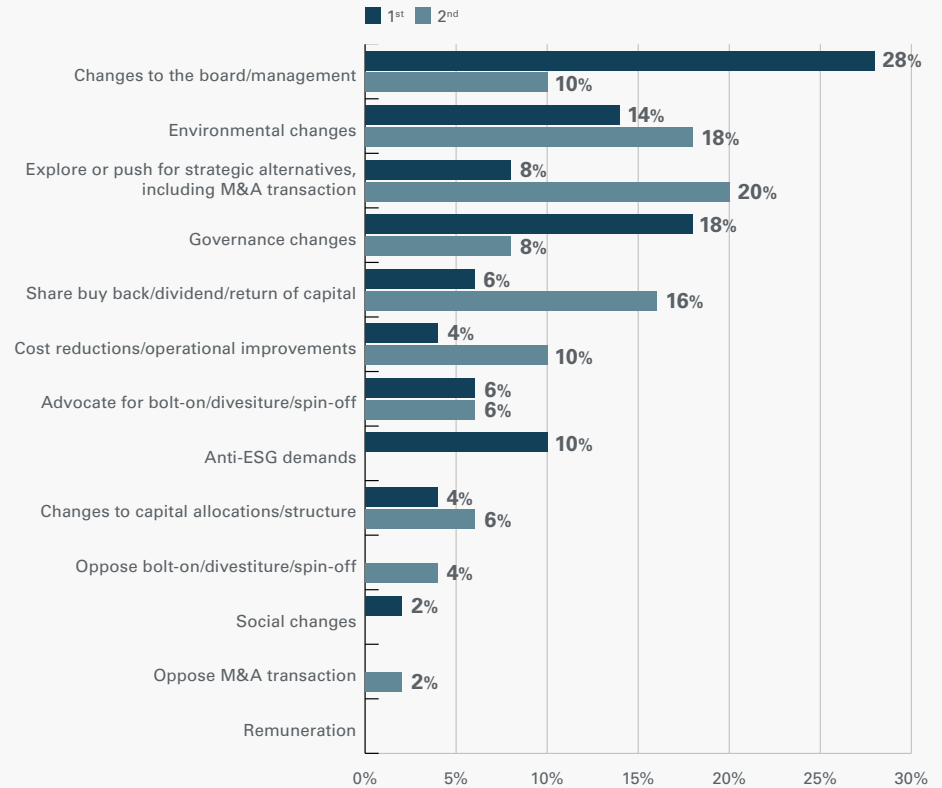
Given the level of attention, corporations expect to spend ever more time engaging with activists in the coming year.

**In your view, what are the most effective preventative measures that companies can use to mitigate the chances of activist campaigns?**



Environment, social and governance issues are expected to figure prominently in activists' demands in 2023.

**Of the various categories of activist demands, which of the following do you believe will be the most prevalent in Europe over the next 12 months (top two, ranked)?**



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