

Glass Lewis' Perspective on Activism and M&A Developments in 2025



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Jason McCandless, Glass Lewis' Head of M&A and Contested Proxy Research, offers insight on the key takeaways from 2024 and his outlook for activism and M&A activity.

Q: With the 2025 US Proxy Season upon us, are there any developments from last season that the team believes were, and will be, particularly compelling for shareholders?

" To be sure, while publicly raising concerns about a company's executive leadership and directors for poor performance is a direct challenge, these are not all antagonistic efforts. Successful activists are more likely to gain support from a board, and ultimately shareholders if needed, when they attempt to work constructively with the company. "

JM: The targeting of CEOs by activists is the most notable common thread we observed in significant campaigns in 2024. A few things may be contributing to this, including the continued focus of shareholder activism on core operational changes and the targeting of larger companies, as well as a somewhat tepid M&A market.

Activists may choose to pursue turnaround tactics for a target company if there is not a near-term possibility of a sale of the company. In such a case, a CEO's strategy is going to be front and center for those conversations with the board.

Generally speaking, long-term shareholders appear less inclined to back activists who pursue short-term strategies or fail to demonstrate how their ideas align with or improve upon a company's existing strategy. It is also notable that activists continue to target some of the largest companies, asking for divestitures and other optimization plans where they see value opportunities.

The other major trend we've noted is growing activism in Japan and Korea over the past few years. Japan and Korea are currently among the most active markets for shareholder proposals, with the bulk of proposals consisting of requests for returns of capital increases. That said, Company boards are becoming less resistant to hearing constructive criticism from shareholders. Both regional and foreign activists have had success in these markets, with Japan leading the way in terms of campaign volume. That said, recent regulatory changes in Korea suggest there will continue to be growing levels of activism in that market. There has also been some notable contested M&A activity, with the long running effort of Fujisoft appearing to have been nearly resolved between KKR and Bain.

Q: While 2024 represented a decade-long low in M&A volume, the final quarter of the year hinted at a rebound in activity. A few months ago, the current shift in U.S. political leadership, potential regulatory changes, and expectations of lower interest rates were also anticipated to drive increased deal activity and create more opportunities for activism. What is your outlook now, and what do you make of developments this year so far?

JM: From what we are observing so far, there has not been a resurgence of deal activity just yet, though the M&A and activism pipeline may be filling up. However, one key development has been the U.S. DOJ's recent letter indicating it would maintain the existing guidance in place under the prior administration (largely viewed as being highly restrictive in light of its blocking of a number of notable transactions).

While M&A activism does need deal flow to exist, shareholder activism for board seats can happen in nearly any market conditions. Those campaigns are focused on business performance and shareholder returns. While the deal pipeline may indeed be filling up, we remain in a 'wait and see' mode as proxy advisors until more situations become public.

On the other hand, shareholder activism continues to be driven more by individual company performance than by economic or regulatory shifts. Companies who are lagging their peers, failing to execute on strategic plans, or with poorly operating boards of directors will always draw activist interest.

" The number of settlements will likely remain high as well-functioning boards will be open to constructive feedback from large shareholders. A fresh perspective can be beneficial for a board that may have long-tenured directors in place, or an inflexible executive team. Settlements also prevent a drawn-out public campaign which can be difficult and costly to manage. Still, where shareholders and boards disagree, we can expect campaigns to go to a vote. "

Q: Though season is effectively underway, are there any situations the team is tracking now that you see as a bellwether for future situations, or that are illustrative of broader trends you're observing?

" Taking a step back from this specific situation, private equity continues to sit on a lot of capital, and we could see these firms compete with activists for underperforming targets. Importantly, such relationships can be productive for all parties involved, and are not necessarily contentious. Some activists may welcome private equity interest in target companies where they see potential for better outcomes. "

JM: It's difficult to call out any situation while they are still developing. Shareholders can often be surprised with a settlement announcement at any point during the process. We thought KKR's agreement with- and investment in- Henry Schein was notable, after the company faced public pressure from Ananym. KKR's move to step in as a strategic partner appears to have won the approval of the activist. Though, the exact sequence of events remains unclear—whether Henry Schein was already in talks with private equity firms, if KKR approached the company reactively, or if Ananym's involvement prompted the quick private equity interest.

Jason McCandless heads the mergers and acquisitions and proxy contest research group at Glass Lewis, which is responsible for all domestic and international merger, acquisition, and contested proxy research.

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