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2024 Was A Banner Year For Shareholder Activism

By **Kai Liekefett, Derek Zaba and Loren Braswell** (January 10, 2025, 4:56 PM EST)

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Whether you were following the U.S. presidential elections or Taylor Swift's Eras Tour, 2024 was an eventful year. The same can be said for the sphere of shareholder activism as campaigns continued at an elevated pace globally, with activist investors exploiting valuation gaps and pushing aggressively for corporate governance reforms, including the ouster of many companies' chief executives.

With few signs of a slowdown, here is a look at what we learned in 2024 and what companies can expect in 2025.

2024 Key Trends

In 2024, we observed several key trends in the shareholder activism arena, including the following.

Number of Global Campaigns Still Elevated

The postpandemic surge in activism continued with 246 campaigns launched in 2024, a similar number to the 233 in 2023 and 251 in 2022.[1]

These figures reflect a continued surge in activism in the U.S. and Asia, including Japan and South Korea. Meanwhile, activism activity in Europe softened due to the ongoing conflict in Ukraine and general economic uncertainty.

Rise of the First-Time Activist

Large, well-known activists made up a small proportion of the activism activity in 2024, as campaigns by nontraditional activists and first-timers proliferated. More newcomers have entered the market in recent years, with the launch of next-gen activist funds and the democratization of activism through social media and online forums.

In fact, less than a quarter of all activism campaigns in 2024 were initiated by activists in the SharkWatch 50, a compilation of the 50 top activist investors.[2]

Increase in Demands to Oust CEOs

Activists are increasingly focused on change at the top of the organizational chart, asserting that CEOs are the cause of poor strategy and performance.

In 2024, major companies such as Starbucks Corp., CVS Health Corp. and Masimo Corp. changed their CEOs, at least in part, due to pressure from activist investors. Southwest Airlines Co. retained its CEO following a hard-hitting campaign from Elliott Investment Management, but only after more than half of its board resigned voluntarily and it subsequently agreed to significant additional concessions, including the addition of five Elliott director candidates to its board.

In the past two years, approximately 20% of CEOs of U.S. activist targets resigned within a year, compared to the approximately 12% average annual turnover in the S&P 500.[3]

Universal Proxy Card Rules Continue Affecting U.S. Landscape

Activists and targets have adjusted their strategies in light of the **universal proxy card rules** in the U.S., which went into effect in 2022. Activists appear to be placing a greater emphasis on the qualifications of their individual director candidates, although institutional investors and proxy advisory firms are still demanding that activists advance a broader strategic case for change.

Activists and companies also appear to be entering into settlements more frequently and faster than in the past. However, activists have yet to win a change-of-control campaign under the universal proxy card regime, despite several efforts by activist investors, including Elliott at Southwest Airlines, Mithaq Capital at The Children's Place Inc., and Arkhouse Management Co. and Brigade Capital Management at Macy's Inc.

Proxy advisers and large institutional investors remain reluctant to hand control of a company to an activist in a single election cycle absent extenuating circumstances. These firms now have the ability to split their vote between the company and activist slates, making it mechanically more difficult for the activist to win control.

Shareholder Proposals Surging Despite Little Support

Consistent with the upward trajectory in recent years, the number of shareholder proposals submitted in 2024 climbed again, with 991 submitted in 2024 compared to 866 in 2023 and 836 in 2022.[4]

In particular, governance and social proposals increased, with popular topics including diversity, equity and inclusion; climate change; director resignation requirements; majority voting standards; and independent board chairs.

2024 also saw the rise of anti-ESG shareholder proposals, propagated by proponents that view companies' involvement in environmental, social and governance initiatives as inappropriate or unnecessary. These anti-ESG proposals included proposals addressing purported religious discrimination within companies, seeking reports on companies' political and charitable ties, seeking reports on the risks of voluntary carbon-reduction commitments, and questioning health benefits for transgender people.

Despite the overall increase in volume, support for shareholder proposals remained relatively low. Only approximately 8% of the proposals that were submitted were ultimately voted on and passed. None of the anti-ESG proposals passed or received significant shareholder support.

Activism Turning Against M&A

Activists have adjusted their strategies and demands in 2024 to account for the lukewarm merger and acquisition market, and general economic and geopolitical uncertainty. As a result, M&A-related activism was generally down year-over-year.

However, there were several significant proxy campaigns by activist investors opposing M&A transactions.

In one notable example, several investors in Frontier Communications Parent Inc. **opposed** its $20 billion acquisition by Verizon Communications Inc. with public letters to Frontier's board of directors that argued that the transaction significantly undervalued Frontier. As a result, proxy advisory firms Institutional Shareholder Services and Glass Lewis **recommended** that investors abstain from voting on the transaction, which would essentially count as a vote against it.

While the transaction was **ultimately approved** by Frontier shareholders, the formidable opposition created significant uncertainty and risk for both Verizon and Frontier.

Notable Activism Campaigns

Notable activism campaigns in 2024 included the following.

Disney: Another Push to "Restore the Magic"

In January 2024, Nelson Peltz's Trian Fund Management launched an activism campaign at Disney, **nominating** two candidates to its board — one of whom was the company's former chief financial officer — and criticizing its streaming strategy, poor financial performance and lack of succession planning.

This marked a second attempt by Trian to target the company and "restore the magic," according to Trian, after Peltz briefly **attempted** to nominate himself to the board earlier in 2023. While Peltz's firm managed to garner support from two of the three proxy advisory firms, Disney shareholders **ultimately voted** to keep the board intact at the 2024 annual meeting in April.

Disney benefited primarily from two constituencies: index funds and retail investors. The contest ended up being one of the largest and most expensive in U.S. history, and demonstrated that activist investors are likely to come back in subsequent years if a company continues to struggle with financial and/or operational performance.

Masimo: The Successful Double Feature

Politan Capital Management confirmed that it is possible to run campaigns in consecutive years at a company with a classified board and emerge with control.

Politan secured two seats on the board of Masimo in 2024, after previously **winning** two seats in 2023. One of the seats Politan won was that of Masimo's CEO — a victory that subsequently led to his resignation as CEO. Politan's second win followed fierce litigation and **allegations** of misconduct levied against both sides.

Gildan: Retribution for the Former CEO

While Disney may have defended one of the most expensive proxy fights in U.S. history, Gildan saw the most expensive proxy fight in Canadian history.

In January 2024, Browning West nominated eight candidates to the board and demanded that Gildan reinstate its former CEO, who had been recently fired in December 2023. In an unusual turn of events, Gildan's CEO and the entire board **resigned** prior to the annual meeting after Browning West managed to win over the support of numerous large investors, as well as all three proxy advisory firms.

The outgoing board appointed Browning West's nominees to the board and reinstated the former CEO.

Starbucks: The Rise of Labor Union Activism

The Strategic Organizing Center, a coalition of labor unions, nominated three directors to the Starbucks board, citing concerns regarding the company's human capital practices. The SOC believed that new board members would enable the company to reexamine and enhance its practices regarding employee wages and benefits, the treatment of employees, and its relationship with the union.

The SOC withdrew its nominations in March after reaching an agreement with Starbucks regarding a path forward on the company's labor relations strategy.

However, Starbucks' troubles did not end there. Shortly after the withdrawal of the SOC candidates, Elliott and Starboard Value also amassed a stake in the coffee giant, targeting its poor stock performance and declining sales, which ultimately led to Starbucks announcing the replacement of its CEO.

Southwest Airlines: No LUV Lost for Southwest CEO

Over the past several years, the budget airline's stock price has slumped as it faced a variety of challenges. This made it a ripe target for Elliott, which **initiated** a campaign to replace eight of the company's directors and its CEO.

During the campaign, seven of the directors, including the board chair, **voluntarily resigned** from the board. Southwest and Elliott ultimately settled, with Southwest making significant concessions and the CEO remaining in place.

As part of the settlement, Elliott added five of its directors to the board — the most seats the activist has ever won as part of a settlement in the U.S. — and Southwest's executive chairman accelerated his retirement. A former Chevron executive was also added to the board.

Predictions for 2025 and Beyond

With the next proxy season already fast approaching, here is what we expect to see in 2025 and beyond.[5]

Tax Cuts, Deregulation and Tariffs to Bolster Activist Activity

The upcoming Trump administration is expected to usher in considerable changes in the economic environment, which may fuel more shareholder activism in 2025.

President-elect Donald Trump's campaign promises have included the continuation of the 2017 tax cuts and massive deregulation in general. This is a prospect that excites many activist investors, as it creates more potential opportunities for short-term value creation.

Trump has also **promised** tariffs, which many economists fear could negatively affect the overall economy but might create prime targets for shareholder activism as companies struggle amid the volatility.

SEC Regulation and Antitrust Enforcement to Shift Dynamics

The Trump presidency will also be accompanied by a shift in the agendas and priorities of regulatory agencies, such as the U.S. Securities and Exchange Commission, the U.S. Department of Justice and the Federal Trade Commission.

Trump has already **pledged** to replace current SEC Chair Gary Gensler with former SEC Commissioner Paul Atkins, and it remains to be seen what changes Atkins will bring on important issues like the universal proxy rules, Rule 14a-8 shareholder proposals, and the regulation of the proxy advisory firms like ISS and Glass Lewis.

Trump also plans to replace the leadership of the FTC and the DOJ's Antitrust Division with **Andrew Ferguson** and **Gail Slater**, respectively, who are expected to loosen antitrust enforcement and create more latitude for M&A. This is expected to benefit activist investors, who often push for M&A as part of their campaigns.

Activists to Explore New Technologies Like Artificial Intelligence

Shareholder activists are seeking to increasingly incorporate new technologies such as artificial intelligence into their arsenals. Specifically, AI may assist activists in tracking company performance and identifying new targets for activist campaigns.

AI allows activists to analyze vast amounts of data, and recognize patterns and vulnerabilities in an efficient manner. A technology-driven approach may make activism more effective and less costly in the future.

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[1] Source: FactSet, as of December 31, 2024. This includes campaigns conducted globally at companies with market capitalizations greater than $500 million, where the activist threatened a proxy fight, including in a letter to shareholders or a public letter to the board of directors, or nominated a slate of directors to the board.

[2] Source: FactSet, as of December 31, 2024.

[3] Source: FactSet, as of December 31, 2024.

[4] Source: FactSet, as of December 31, 2024. This includes shareholder proposals submitted at companies with market capitalizations greater than $500 million.

[5] See also, Kai Liekefett and Derek Zaba, "Predicting Shareholder Activism Trends In New Trump Admin," Law360.com, November 8, 2024, https://www.law360.com/articles/2258409.
