

“Be Your Own Activist” is our mantra when it comes to activist investors. Contrary to many advisors, we believe that activist engagement is not a winner-take-all hostile takeover but a debate. And the winner of the debate is the one that has done the most research in advance and is the most prepared for the dialogue. Executives that are prepared and self-confident can defuse the situation immediately and in many cases turn a potential adversary into a strong ally.

The **Activist Investor Exposure Diagnostic** provides a deep, independent evaluation through the eyes of an activist investor, identifying opportunities they’d see and anticipating demands they’d likely make. We then advise on (1) which likely demands make sense and should be preemptively adopted before being told to do so, and (2) which likely demands don’t make sense along with fact based arguments so management is ready if an activist enters their stock.

The **Activist Investor Exposure Diagnostic** culminates in a detailed report and presentation of findings on strategy, performance and valuation as well as a list of likely investor demands. We provide detailed recommendations that reduce the likelihood of an activist investor showing up and help management prepare in advance should an activist arrive.

Strategic Questions Fortuna Advisors Will Answer

- How likely is my company to become the target of an activist investor?
- What does management’s “track-record” look like?
- How are we perceived in the eyes of an activist investor and where would they see opportunities?
 - A change in strategy & operations?
 - Financial engineering?
 - Sale of the company or parts of the company?
 - A change in leadership? Governance? Incentives?
- What would be the top demands they would make?
 - Which of these demands make sense and should be preemptively implemented before being told to?
 - Which of the demands don’t make sense and what can I do to prepare to refute them with facts?

What Fortuna Advisors Will Do

Fortuna Advisors will provide an independent assessment of strategy and performance over the past 3-5 years using traditional and proprietary analytics to answer the question: How did we get here from there? The share price trend will be unscrambled to quantify the impact of (a) performance in terms of growth, profitability, returns, etc., (b) changes in investor expectation and (c) industry and market factors.

Fortuna Advisors will evaluate the company at its current market value to provide a quantitative assessment of what investors expect over the next five years. This external analysis will provide an investor expectations benchmark to compare to management’s internal plan.

Fortuna Advisors will analyze capital deployment policies in the context of the company’s business model and will provide quantitative Buyback ROI and Buyback Effectiveness analyses over various time periods. We will conduct original research on the historical 10-15 year relationship between uses of capital and share price performance among peer companies.

Fortuna Advisors will provide benchmarking of performance (past and embedded future) against near peers as a more holistic view of the company’s competitive position.

Fortuna Advisors will evaluate corporate governance policies and practices including executive compensation to identify misalignments with the interests of shareholders.

Fortuna Advisors will integrate quantitative and qualitative findings to formulate and prioritize a detailed list of likely activist investor demands. Management responses to these likely demands will be evaluated and honed.

Fortuna Advisors will evaluate the economic impact to the long term share price of likely demands and recommend an implementation plan for those demands that are value accretive.

Fortuna Advisors will provide fact based responses for all demands that are determined to be unlikely to benefit the long term share price so management is prepared should these demands materialize.