

A PLATFORM FOR CHANGE

A CASE STUDY SUPPORTING PRIMESTONE ADVANCES IN BRENNTAG

PrimeStone

In 2023, PrimeStone hired D.F. King, part of Link Group, to aid them in their attempts to get two independent directors elected to the supervisory board of Brenntag SE. The addition of two extra candidates would require an article of amendments change to expand the board to eight, typically needing 75% of votes cast to support it. PrimeStone assumed that such a challenge would be unachievable with their 2% hold of Brenntag.

Instead, PrimeStone decided to propose their two candidates via counter motions where candidates are proposed in direct opposition to the management's candidates, rather than being added to agenda as regular shareholder proposals.

Despite starting at such a disadvantage and encountering many obstacles, D.F. King helped PrimeStone conduct a strong campaign and using a compelling financial backstory of Brenntag's failure to maintain the pace against its international peers to their benefit. This sent a significant signal to Brenntag that its current strategy would no longer satisfy many of their investors and allowed them to secure enough votes to set PrimeStone up with the network and support they will need if they want to pursue further strategic change at Brenntag.

Objectives ahead of the AGM

D.F. King dovetailed successfully with the PrimeStone team, tailoring messaging to resonate not only with the financial community, but also with the governance community.

Orient Capital, leading Investor Relations specialists and part of Link Group, identified an accurate and comprehensive universe of ownership representing over 88% of the issued share capital. D.F. King utilised this analysis to engage with shareholders, initially with a roadshow covering 25 investors representing 46.29% of the issued share capital, and then expanding to a wider proxy solicitation of all Brenntag's known investors. Additional objectives that were achieved during this campaign include:

- Identification of shareholders via a 'stealth' shareholder analysis
- Fine tuning messaging to better engage with the governance community alongside the activist's compelling financial story
- Arranging an initial roadshow to provide a platform for engagement for PrimeStone with fellow investors and Proxy Advisors
- Conducting a comprehensive outreach campaign to all shareholders to maximise awareness among investors of the campaign and solicit support for PrimeStone's proposals
- Aiding investors through the unique German voting process to maximise eligible votes in line with PrimeStone's objectives

Challenges

Due to the particularities of the German model and local regulations, this campaign came with several unique challenges:-

- Proposing the elections as counter motions meant, that for legal reasons, D.F. King had to assist investors with navigating the overly complex and varied custodial chains in securing attendance cards that allowed investors to vote.
- In the past, an investor could arrange a single representative to attend and vote all their shares at an AGM. Due to Germany's recently introduced 'virtual only' meeting format, each fund had to have its own login and be voted separately, meaning some investors needed to vote on as many as 20 separate mandates.
- As the campaign progressed the issuer and local media presented this as Germany versus the Anglo-Saxon world – resulting in significant pressure on German investors to conform and support management irrespective of their view on Brenntag's financial and corporate governance performance.
- In addition, days before the AGM was held, Germany's richest man, Michael Kuehne, publicly came out in support of Brenntag's management, having increased his stake from 5% in April to 6.6% to become Brenntag's second largest shareholder. There was a significant amount of effort made on his behalf to hold off advances from PrimeStone.

Results

Despite these unique challenges, D.F. King were able to achieve significant success by securing over 37% votes against the two management candidates for the Board (37.29% and 38.21%) leveraging 19x support against the PrimeStone stake of 2%.

Further achievements included:

- Gaining unprecedented support for PrimeStone's proposed countermotions to elect two independent candidates from both ISS and Glass Lewis.
- Supervisory Board's candidate and chair-elect went from 99.93% at his initial election to just 62.71% one election cycle later, demonstrating the significant support from across the investor base for the client's vision for the company.
- Providing a significant platform for the activist to encourage the issuer to make changes, with or without a further proxy contest.

Our ability to attract support from proxy advisors like ISS and Glass Lewis is not the type of achievement that can be taken lightly, as neither advisor is known for exclusively supporting dissident candidates in elections in Germany. Through this campaign process, D.F. King played a key role in identifying a target universe of shareholders and soliciting opportunities for PrimeStone to "tell their compelling story".

As we worked with PrimeStone, we were able to use event driven communication with the wide shareholder base to provide ample opportunity to highlight our client's activist story. With thorough analysis, we identified and navigated complex voting structures which threatened to disenfranchise shareholders from voting on PrimeStone's independent candidates.

Additionally, we made each investor aware of voting issues and attentively assisted them each step of the way to ensure they had the ability to vote live at the AGM on the countermotions, despite the complex custodial chains.

In conclusion, the campaign has led to Brenntag actively accelerating their move towards division of the business, a key goal of PrimeStone's campaign. The company is also reorganising the executive board and giving the divisions more autonomy, a move originally planned for the capital market day in autumn which was brought forward following pressure placed on the group by the AGM result.

D.F. King, a division of Link Group, provides comprehensive advisory and execution services for equity and debt transactions and is the only provider with far reaching international experience in communication campaigns involving shares and bonds.

Interested to learn how our international reach can assist you? Visit our [website](#) to find out more, and to contact us.