SCHOOL OF ECONOMICS AND FINANCE
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The role of shareholder activism in turning around poor performing target companies on the JSE: A case of Value Capital Partners

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Abstract

There is a rising trend of shareholder activism led by activist investors who acquire minority stakes in poorly managed companies with promising business models. The study explores the rising trend of shareholder activism, in which activist investors acquire minority stakes in poorly managed but promising companies to address governance and performance issues. This surge in investor activism, driven by environmental, social, and governance concerns and minority investor rights, aims to enhance the long-term competitiveness of target firms. Focusing on Value Capital Partners, South Africa's first hedge fund activist investment firm, the research evaluates the company’s impact on selected firms from 2014 to 2024. Specifically, it examines Value Capital Partners’ strategies, collaboration with management, and campaign outcomes, using financial reports and investor communications to assess the effectiveness and sustainability of its interventions. The study analyses changes in share prices, financial metrics, and strategic directions to determine the influence of hedge fund activism on corporate performance. Findings indicate that Value Capital Partners generally achieved positive outcomes during the study period, demonstrating the potential of hedge fund activism to improve corporate performance in South Africa. However, impact varied across companies, highlighting both successes and challenges. The research underscores the role of activist investors in promoting sustainable growth and sheds light on the elements that both enhance and hinder their success and lastly suggests future research directions to optimise activist investment strategies in the region.

Declaration

I, Akona Mlamleli, declare that this research paper is my own work and that I have correctly acknowledged the work of others. It is submitted to fulfil the requirements for the degree of Master of Commerce in Finance at the University of the Witwatersrand, Johannesburg. I declare that this research paper has not been submitted for any other degree or examination in this or any other institution.

Akona Mlamleli

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Acknowledgments

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1. Introduction

1.1. Background

Activist shareholders, also known as engaged shareholders, represent a new model in the South African context, though they have been prevalent globally for decades (Aquila, 2023). In *Dear Chairman: Boardroom Battles and the Rise of Shareholder Activism*, Gramm traces the origins of shareholder activism to the 1950s in the US (Gramm, 2016). Initially known as “raiders” and feared for their aggressive tactics, these activists had become known as “proxyteers” by 1951. According to Gramm (2016), proxyteers would buy large stakes in public companies from sellers liquidating their holdings and then challenge management teams under the guise of protecting shareholder rights. Gramm states that more generally, shareholder activism dates back to the nineteenth century. Although the definition of activism may have evolved, historically, angry shareholders lobbied for expanded rights, accusing directors of self-dealing and prioritising their own needs over those of stakeholders (Gramm, 2016).

The Corporate Finance Institute defines activist shareholders as follows:

> “An activist investor is an individual or institutional investor that seeks to acquire a controlling interest in a target company by gaining seats on the company’s board of directors. Activist investors aim to make significant changes to the target company and unlock perceived hidden value within the target company. They usually seek companies that they believe have a structural flaw within their management and look to add value either by influencing the current management’s decisions or by replacing them with new management” (CFI Education Inc, 2015).

Similarly, the Corporate Governance Institute describes activist investors as follows:

> “An activist investor is a person, or a hedge fund, who buys a significant stake in a publicly traded company to change how it is run and managed. They believe a company has potential and see an opportunity to increase that company’s share price. When activist investors identify a target, they buy a substantial stake in the company’s equity, signalling to the market that changes are on the way. This can cause the company's share price to rise due to the news that an activist firm has become a shareholder. A shareholder activist will then push for changes they believe are in the company’s best interests, often including strategic redirection, operational decision changes, capital restructuring, selling

non-core divisions and subsidiaries, management changes, and corporate governance changes such as a refreshed board of directors” (Conmy, 2024).

For this study, the terms "activist shareholders" and "activist investors" are considered synonymous and are used interchangeably.

The Governance Institute highlights three types of activist investors: The first comprises individual activist investors, typically wealthy and influential, who use their capital to acquire a substantial amount of a company’s shares. This gives them sufficient voting power on the board of directors, enabling them to influence the strategic direction of the target company. Notable examples include Bill Ackman and Carl Icahn, both of whom have a long history of high-profile activist campaigns and who are renowned for their ability to reshape corporate strategies and governance. Ackman, known for his work at Pershing Square Capital Management, has been pivotal in driving changes at companies such as Chipotle Mexican Grill (Oyedele, 2016). Similarly, Icahn, the founder of Icahn Enterprises, is widely regarded as one of the most influential activist investors in history. He has played a key role in transforming the management and strategies of numerous companies, advocating for share buybacks during his involvement with Apple (Fortune, 2014).

The second type involves private equity firms, which use different strategies but generally seek to acquire a publicly traded company with the goal of making it private. A private equity firm has limited partners, who contribute a significant share of the fund while enjoying limited liability, and a general partner, who assumes unlimited liability. These firms depend on capital from investors prepared to commit large sums for extended durations.

The third type comprises hedge funds, which may take control of a public company in numerous ways. Hedge funds might operate like individual activist investors or private equity firms. Their main objective is to deliver returns for investors through various strategies. Many activist investors establish hedge funds, which, similar to private equity firms, are funded by multiple limited partners and one general partner. These investments are usually illiquid, as they are locked in for a minimum of one year, allowing hedge fund managers greater flexibility. This study specifically focuses on the latter category: hedge fund activist investors.

1.2. Research gap and objectives

1.2.1. Motivation of study

In South Africa, the practice of shareholder activism has been confined to non-profit organisations such as Just Share and the Centre for Environmental Rights, which have actively pursued ESG-related agendas (Kitcat, 2023). Following the Steinhoff saga in December 2017, institutional investors in South Africa have begun taking a more significant shareholder activist stance in their investment philosophies and processes. Notable fund managers include Allan Gray, Foord Asset Management, the Public Investment Corporation (which manages assets on behalf of the South African Government, specifically the Government Employees Pension Fund and other social security funds) and, in 2016, the first mainstream activist investment firm, Value Capital Partners. These institutional investors hold significant stakes in numerous JSE-listed companies and exercise considerable influence as shareholders.

Globally, we have seen the rise and growth of activist investors. According to the Deloitte survey report, *CFO Insights* (2015), three-quarters of US companies have experienced some form of activism, and half have made at least one change as a result. A study by Bain and Company reported that between 2004 and 2014, the number of activist deals rose by 34%, with growth spanning various sectors. Such activism has not been restricted to any one industry in South Africa, but extends across all sectors.

1.2.2. Knowledge gap

Research on shareholder activism in South Africa has primarily focused on governance and voting on resolutions at companies' annual general meetings (Cassim, 2022). There has been less exploration of the impact of shareholder activism, particularly in relation to the practice by activist investment firms of seeking minority positions in target listed companies. Minority shareholder activism demonstrates that even a small ownership stake can drive significant change within a corporation. This type of activism is founded on the idea that by articulating their concerns and asserting their rights, minority shareholders can affect management and policy decisions in ways that benefit all stakeholders. The phenomenon underscores the power of collective action and highlights the importance of corporate governance that values the perspectives of all shareholders, irrespective of the size of their holdings (Faster, 2024). The following excerpt from the website of the venture capital firm Faster Capital points to the growing influence of activist minority shareholders, and the likelihood of more investor collaboration and joint activism in the future:

> "Looking ahead, it's clear that the influence of minority shareholders is growing, not just in their capacity to effect change within individual companies but also in their ability to shape broader market trends and corporate behaviour; however, the trend going forward will require more collaborative efforts where minority shareholders band together to form coalitions to amplify their voice and influence" (Faster, 2024).

While this topic has been extensively studied in developed markets, especially in the US and Europe, there is a notable lack of research on it in the South African context, apart from review pieces by law firms such as Bowmans. The engaged shareholder business model is a relatively new phenomenon in South Africa and still requires development, along with growth in market participation (Aquila, 2023).

Therefore, this study seeks to contribute to research on this phenomenon in South Africa, and in particular to the debate about hedge fund activism. It is hoped that the research may form a foundation for future research into investor activism, including on whether the model can assist in curbing the trend of JSE delisting that we have seen in the first 30 years of our democracy.

Owing to its fledgling position in South Africa, Value Capital Partners (VCP) can only engage in the South African market and drive returns for stakeholders by holding minority positions in listed companies. Since the company is still new, this is an opportune time to analyse hedge fund activists such as VCP with regard to the impact they make in their target companies, and what changed in VCP's target companies during the company's holding period.

1.2.3. Research objective

The objective of this study is to analyse the successes and challenges of shareholder activism in the South African listed market, focusing on the role of VCP in turning around poorly performing companies. The study aims to evaluate how VCP's activist strategies have impacted the performance of target companies; to identify the key factors contributing to successful and unsuccessful turnarounds; and to explore the obstacles and limitations faced by activist investors in the South African context. Overall, the research seeks to contribute to an understanding of the efficacy of shareholder activism in improving corporate governance and financial performance in South Africa.

1.2.4. Value Capital Partners

Value Capital Partners is a South African activist hedge fund that commenced operations in October 2016, as the first mainstream activist investment firm in the South African market. It was founded by two individuals: Sam Sithole, the chief executive officer, and Antony Ball, the Non-Executive Chairperson. Both have private equity experience from their tenure at Brait, a South African private equity firm that later became an investment holding company. Both held several leadership and investment positions at that firm.

Value Capital Partners distinguishes itself as an investment company holding minority positions in listed companies, acting as an engaged shareholder in these entities to drive maximum returns for all stakeholders (Value Capital Partners, 2024). Its strategy is to actively manage the companies in which it holds minority positions, leveraging the company's minority ownership percentage, which is usually 5% to 20%. Since June 2017, the Value Active H4 QI Hedge Fund has managed a highly concentrated portfolio of 10–12 high-conviction investments. Their first target company was Altron, which they managed from late 2016. The fund has a hedge fund structure with a collective scheme trust and a structure known as the qualified investor hedge fund (QIF).

VCP's ethos is that it seeks to drive sustainable change to benefit all stakeholders, including minority investors, and to be cognisant of environmental, social, and governance issues (Value Capital Partners, 2024). The firm identifies as a value-focused, long-term investor. The firm also subscribes to the principle of no hostility in its engagements with companies, favouring a more collaborative, constructive, and respectful style. In addition, it advocates action on issues such as board composition, management performance, succession planning, remuneration, and incentive alignment, capital allocation, and other major business decisions.

Figure 1 shows Value Capital Partners' business model.

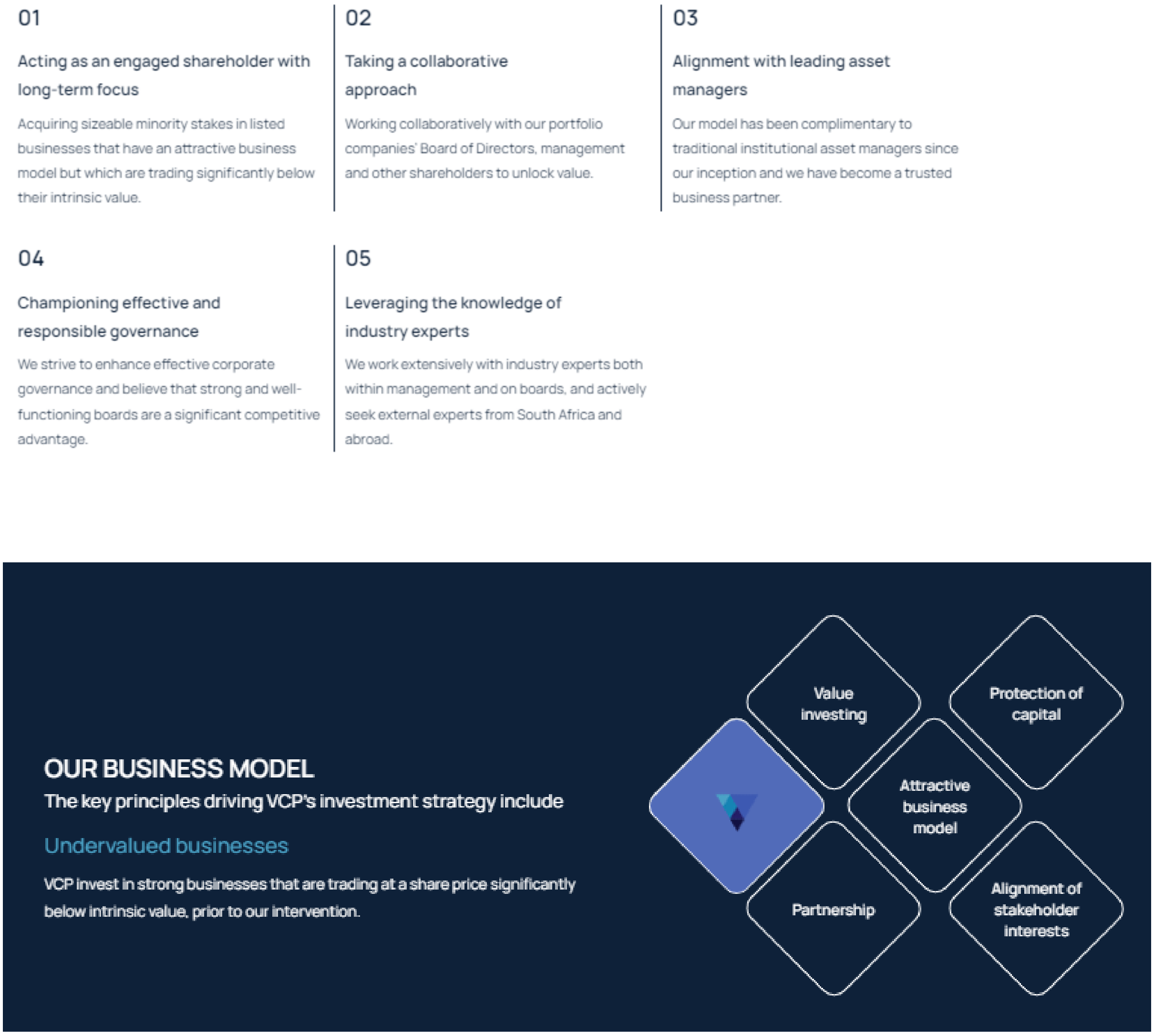

Figure 1: Value Capital Partners' business model

Source: Value Capital Partners

1.2.5. Problem statement

The effectiveness of shareholder activism in revitalising underperforming South African companies listed on the Johannesburg Stock Exchange (JSE) remains underexplored. While shareholder activism has received mixed reactions in developed markets such as the US and Europe, its impact in the South African context is less clear. This research seeks to investigate the successes and challenges faced by the first mainstream shareholder activist company in the South African listed market, examining the extent to which it drives the turnaround of poorly performing companies. Understanding these dynamics is crucial for stakeholders such as investors, policymakers, and fund managers aiming to enhance corporate governance and performance in South Africa.

1.2.6. Feasibility of the study

This study examines the impact of shareholder activism by VCP on targeted companies listed on the JSE. It aims to identify both successful and unsuccessful cases of shareholder activism in South Africa, while highlighting the challenges encountered. The study assesses the overall effectiveness of shareholder activism in driving long-term sustainable change that both benefits all stakeholders and protects minority investor rights on ESG issues. It also seeks to evaluate the overall performance and possible improvements in the targeted companies.

The research draws on existing studies of shareholder activism, predominantly from developed markets such as the US and Europe. On the local front, it reviews literature specific to the South African market, including analyses of notable activist campaigns and their outcomes. The data used in this study included readily available information gathered by VCP within the South African landscape, as well as the insights of other stakeholders who have collaborated with the activist investor, such as fund managers in the South African financial industry. The study analyses the financial data of the target companies, focusing on financial metrics and performance before and after activism. In addition, the public records of activist campaigns and shareholder meetings are reviewed.

1.2.7. Potential benefits of the study

It is evident that the shareholder activist model is still in its initial stages in South Africa, with only one known mainstream activist investment firm in the country. Encouraging more activists to enter the field could introduce a diversity of ideas and perspectives, enhance transparency, and further strengthen corporate governance, benefiting the broader market.

1.3. Structure of the study

This research is organised into five sections, as follows: Section 1 introduces the study, providing background information on the topic; Section 2 reviews existing literature on shareholder activism and other topics relevant to this study; Section 3 details the data, variables, hypotheses, and methodology employed to analyse both the short-term and long-term performance of VCP's targeted companies; Section 4 presents the empirical findings on shareholder activism in South Africa and interprets the results; and Section 5 draws conclusions, discusses the study's limitations and makes recommendations for further study.

2. Literature Review

Shareholder activism has emerged as a dynamic force in corporate governance, particularly in addressing the challenges faced by underperforming companies. The phenomenon has gained traction on the Johannesburg Stock Exchange (JSE) as institutional investors and activist shareholders increasingly leverage their influence to drive strategic and operational changes in target companies. This literature review focuses on the role of shareholder activism in revitalising poor-performing firms, with specific reference to Value Capital Partners (VCP). As a prominent activist investor, VCP's interventions on the JSE provide a compelling case study for understanding the mechanisms, strategies, and outcomes of shareholder activism in the South African context. This review explores scholarly perspectives on the impact of such activism, highlighting its potential to create value, address governance gaps, and enhance long-term corporate performance.

2.1. Corporate governance in South Africa

Aka (2007) explains that corporate governance encompasses two main areas: corporate law and corporate finance law. Corporate law concerns three primary groups – shareholders, directors, and officers – each of whom have specific rights and responsibilities, with corporate law regulating the distribution of these roles. In contrast, corporate finance law concerns the way in which a company secures funding and manages its finances, covering aspects such as business incorporation, the importance of corporate personality in finance, pre-incorporation contracts, shares and share capital, shareholder rights, distributions, share buy-backs, and redeemable shares. In South Africa, the corporate governance framework mirrors that of the UK, as noted by Croucher (2010). It follows a unitary board system and depends heavily on financial markets to raise capital. The legal framework strongly safeguards shareholder rights and incorporates self-regulatory mechanisms to shape management behaviour. Like the UK, corporate governance in South Africa operates under two systems: formal legal sources (company legislation and case law) and non-binding best practice codes that guide corporate behaviour.

The first corporate governance code, King I, was introduced by the Department of Trade and Industry in 1994, outlining a framework for corporate governance in the post-apartheid era. Drawing from the UK code with its emphasis on shareholder protection, King I highlighted the need for a participatory corporate governance system. It emphasised that companies must recognise their relationship with the society and environment in which they operate (Aka, 2017).

In 2002, King II built on King I's inclusive approach by recommending the adoption of "triple bottom line" reporting, which covers the company's financial, social, and environmental responsibilities. It reinforced the idea that businesses are connected with their societies, and that excluding stakeholders would go against the African values of coexistence, collectiveness, and consensus. As such, corporate governance should extend beyond financial concerns to include issues like Black empowerment, environmental protection, and social equality (Aka, 2017).

King III, released in February 2009, further developed this inclusive approach. It notably extended beyond the UK's "enlightened shareholder value" model by stating that shareholders do not always take precedence over other stakeholders. Depending on the circumstances, the interests of other stakeholders may take priority, if such a move is in the company's best interests. Crucially, these best interests should be viewed in the context of the company as a sustainable enterprise and a responsible corporate citizen. King III promoted the idea of success being a measurement of a company's long-term positive impact on all stakeholders. Although the King codes are not legally binding, the Johannesburg Securities Exchange (JSE) requires compliance with their principles for companies to be listed. Non-compliance can harm a company's reputation and affect its share prices, and could even lead to delisting (Aka, 2007).

2.2. Growth of shareholder activism

According to Howe (2020), hedge fund shareholder activism has increased since the early 2000s, as evident in growth both in the capital deployed and the number of targeted sectors. A report by J.P. Morgan (2015) noted a surge in activism following the global financial crisis (GFC). Before the GFC, in 2003, activists managed less than US$ 12 billion, but by 2015, assets under management by activist hedge funds had ballooned to over US$ 112 billion. The report highlighted that more than ten activists each manage over US$ 10 billion, a sum equivalent to the entire asset class a decade earlier. This rise, driven by significant inflows, has enabled activists to quickly deploy capital in targeted firms and has spurred the entry of new funds into the market, ranging from established activist funds to traditional institutional investors, both of which support shareholder activists' campaigns directly or indirectly.

A study by Bain and Company (2015) showed that there was a 34% increase in activist deals between 2000 and 2014. Diligent Market Intelligence (2021) reported a global increase in shareholder activism from 2014 to 2019, with a dip in 2020. Specifically, the US saw 378 public companies subjected to activist demands in 2014, increasing to 430 in 2015, with 485 in 2016, 470 in 2017, 492 in 2018, 474 in 2019, and 432 in 2020. The US, where shareholder activism is particularly prominent, experienced declines in 2017 and 2019, and a larger dip in 2020 because of the global pandemic (Brav, 2008).

In Europe, the trend was similar, with activist targets rising from 93 in 2014 to 127 in 2015, 168 in 2016, 163 in 2017, 171 in 2018, and 160 in 2019, dropping to 135 in 2020 (a 16% year-on-year decline) (Diligent Market Intelligence, 2021). A recent report by Insightia on shareholder activism in Europe for 2022 indicated that the COVID-19 pandemic had impaired activism, with fewer campaigns in 2021 (Insightia, 2023). The number of companies publicly subjected to activism in 2021 was down about 18% from 2020 levels, and the first quarter of 2022 saw a 41% drop compared to the same period in 2020, below even the previous year's numbers. However, Insightia's 2023 annual review noted a much busier year in shareholder activism in 2022, with many campaigns returning to pre-pandemic levels (Diligent Market Intelligence, 2021).

Shareholder activism involves shareholders engaging in campaigns to influence corporate actions, immersing themselves in the management of firms to prompt changes. Supporters see this model as pivotal, particularly for players in capital markets, as it holds management and board members accountable, imposes efficiency, and mitigates agency problems. As noted in a 2001 Wall Street Journal article, titled *Dissatisfied Shareholders are Aggressively Pushing Companies to Find New Ways to Unlock Shareholder Value*, shareholder activism has evolved significantly over the years, especially since its early roots in the 1980s (Conmy, 2024).

2.3. Hedge fund activists versus private equity

In their study of hedge funds versus private equity as shareholder activists in Germany, Mietzner and Schweizer (2011) found that both types of activists aim to increase the market value of their invested capital. Both are active shareholders, and their involvement can alter the objectives and value of the targeted firms. However, the level of activism differs significantly owing to differences in funding levels and management's reimbursement structures. For example, hedge funds assess performance fees based on unrealised capital gains, whereas private equity funds calculate fees solely on realised capital gains (Mietzner & Schweizer, 2011).

A key differentiator is also the duration of investment. Hedge fund investments typically last three to five years, sometimes longer, and may face challenges if there are capital withdrawals owing to poor performance (CFI Education Inc, 2015). In contrast, private equity investments have a longer duration, usually ranging from eight to ten years, and are less subject to withdrawals during this period. Another distinction lies in the fees and remuneration for these two types of investors, which vary significantly (Brav, 2008). However, this aspect is not explored in this study, as payment structures are a broad topic on their own, suitable for separate research.

Another key difference between hedge fund and private equity firm activist investors lies in the stake sizes in target companies. Private equity firms usually acquire a whole or majority stake in the target company, while hedge fund activists typically acquire a 5 to 10% stake. Consequently, hedge fund activists need to persuade other shareholders that their plans will add value to the company and its stakeholders. Hedge fund activists also tend to invest in fewer companies, allowing for closer monitoring and a more active role in the targeted firms.

Lastly, owing to their minority ownership percentages, hedge fund managers rely on collaboration and the trust of other stakeholders – fund managers, institutional clients, management, board members, and shareholders. Such trust and collaboration is crucial for hedge fund activists, enabling them to leverage their influence (Conmy, 2024).

2.4. Reactions to hedge fund activism

Silva (2019) highlights that empirical research on US hedge funds provides valuable insights into the performance of firms targeted by hedge fund activists. Klein and Zur (2009) found that target firms experience an average abnormal return of 10.3% during the 61 days surrounding the initial filing, significantly outperforming non-targeted firms with similar characteristics. Similarly, Brav et al. (2008) reported abnormal stock returns of approximately 7% within the 40-day announcement window, with no evidence of a reversal in the following year. Boyson and Mooradian (2011) observed returns exceeding those of a matched sample by about 11% over the 51 days around the filing date, with stronger effects experienced when hedge funds pursued aggressive and well-defined objectives. Clifford (2008) compared activist and passive

investments made by the same hedge funds, finding that firms targeted by activists achieved a 3.39% excess return around the filing date, whereas those targeted by passive investors earned a 1.64% return, indicating superior performance from hedge fund activism.
Despite this positive performance, critics argue that hedge fund activism focuses on short-term gains at the expense of long-term performance. To address this criticism, Bebchuk et al. (2015) analysed the long-term effects of hedge fund activism and found no evidence of negative abnormal returns from the first month after intervention up to three or five years later. They concluded that the stock appreciation surrounding the announcement date correctly anticipates the positive effects of the activist intervention.

Another criticism of hedge fund activism concerns the investment horizon. Activist funds are often perceived as prioritising short-term gains over long-term sustainability, particularly in relation to agency costs and performance, with a strong emphasis on financial metrics. Activists capitalise on the positive abnormal returns that follow their involvement. While research indicates short-term improvements in operating performance and stock returns, concerns remain about potential long-term costs to the company (Edward P. Swanson, 2022). Some critics argue that these gains stem from financial engineering, leading to unsustainable changes that hinder long-term growth . Strategies such as shareholder distributions or increased leverage are viewed as wealth transfers rather than genuine value creation over the long run (Fox & Lorch, 2012).

Taking a closer look at South Africa, hedge fund activism remains in its infancy, with notable cases involving companies like Altron, PPC, Sun International, Lesaka (previously Net 1 Technologies), and the more recent target, Tiger Brands. However, these cases have centred around the only shareholder hedge fund activist (through their Qualified Investor Hedge Fund structure) firm in the country. Unlike the US, where the market is more mature and developed, studies on this topic in South Africa are limited owing to the market's size and concentration.

In a study examining the activist landscape in Germany, Silva (2019) highlights the development of this model in that country, where it is still uncommon, as in South Africa, but growing. The study notes that one of the only avenues through which to gather information on performance is news-based research, making comprehensive studies challenging. Bessler et al. (2015) found that target companies in Germany outperformed their market benchmark, the German stock market index (CDAX). In the short-term horizon, target companies outperformed the CDAX by 9.38% during the (–45; +45) window (days) relative to cumulative abnormal returns (CARs), while long-term analysis also indicated superior performance for the target companies.

Mietzner and Schweizer (2014) analysed both hedge funds and private equity funds as activists. For hedge funds, they found a CAR of 6.24% for the 20-day window (–20; +20) around the announcement date. However, for the long-term period, their sample showed negative performance in the targeted companies. The study also reported mean and median BHAR (buy-and-hold abnormal returns) of –1.02% and –21.46%, respectively, over a 252-day holding period. These differing results leave the long-term impact of hedge fund activism uncertain.

2.5. Changes in target companies

In a study of activist hedge funds in the US from 2001 to 2006, Brav et al. (2008) examined strategic, operational, and financial interventions, finding success or partial success in two-thirds of the cases. The empirical study revealed that targeted companies experienced improvements in operating performance after an intervention. Specifically, the targeted companies enjoyed higher return on assets (ROA) and operating profit margins (OPM) compared to their industry peers. Although performance dipped during the event year, it returned to pre-event levels the following year and continued to improve significantly in subsequent years. The study showed that ROA increased by between 0.9% and 1.5% two years after the intervention, while OPM improved from 4.7% to 5.8%, exceeding pre-event levels.

Bebchuk (2015) researched 2000 interventions by activist hedge funds from 1994 to 2007, examining a five-year window following the intervention. This author found statistically significant improvements in operating performance in the third, fourth, and fifth years after the interventions, with no evidence of long-term declines. This study suggests that such interventions can lead to long-term improvements rather than declines in performance.

Silva (2019) cites Klein and Zur (2009), who found that in the year following the initial Schedule 13D filing, target firms double their dividends, raise their debt-to-assets ratio, and significantly reduce cash holdings and short-term investments. However, Klein and Zur (2011) argue that these changes, which heighten credit risk by lowering cash reserves and increasing debt, effectively transfer wealth from bondholders to shareholders. Similarly, Brav et al. (2008) report an increase in both the total payout ratio and book value leverage, while Boyson and Mooradian (2011) observe a decline in cash as a percentage of total assets.

The concept of shareholder activism, particularly in the context of improving poor-performing companies, dates back to the early 20th century. Benjamin Graham, widely regarded as the father of value investing, was one of the earliest and most prominent figures to address this issue. In a 1934 book by Benjamin Graham and David Dodd, *Security Analysis*, the authors advocated increased shareholder involvement, particularly in cases of underperforming management. They stressed the necessity of shareholders who use their influence to combat corporate mismanagement, enhance governance, and improve overall company performance (Gramm, 2016).

Graham and Dodd's ideas were ahead of their time, and laid the foundation for later shareholder activism movements. In the 1980s, the practice became more visible with activists like Carl Icahn and T. Boone Pickens, who launched high-profile campaigns to take control of companies they believed were underperforming.

Today, shareholder activism remains a prominent feature of corporate governance globally, but is not necessarily viewed as a problem – it can be both a challenge and a tool for change. Activist shareholders push for changes in management, strategy, or operations to improve shareholder value, but their interventions can create tension between management and shareholders, particularly if the goals of short-term profitability clash with the long-term goals of sustainability or other corporate objectives.

2.6. Summary of literature review

This literature review on the role of shareholder activism in turning around poorly performing companies, with a focus on VCP on the Johannesburg Stock Exchange (JSE), reveals several key insights. First, activist shareholders often engage with struggling firms to drive strategy, governance, and financial performance changes. Activism can lead to enhanced decision-making, improved efficiency, and management alignment with shareholder interests. Second, activist interventions commonly involve proposing board changes, advocating restructuring, reducing inefficiencies, and enhancing corporate transparency. These mechanisms aim to address the root causes of underperformance and poor capital allocation. Studies indicate that shareholder activism, particularly by institutional investors like VCP, can significantly improve stock performance, profitability, and governance standards. However, outcomes vary depending on the activism approach used, market conditions, and the company's readiness to implement reforms.

VCP has emerged as a leading activist investor on the JSE, targeting underperforming companies with growth potential. By acquiring significant stakes and collaborating with management, VCP drives value creation through governance enhancements, cost optimisation, and strategic realignments. Unique factors, including regulatory frameworks, ownership structures, and socio-economic considerations, influence activism on the JSE. The South African market presents challenges such as concentrated ownership and socio-political pressures, which shape the effectiveness of activism strategies. The review concludes that while shareholder activism can potentially turn around poor-performing firms, its success depends on alignment between the activists' goals and company-specific factors. VCP's interventions on the JSE may provide a model for understanding how activist investors can foster corporate recovery and sustainable value creation in emerging markets.

3. Data and Methodology

3.1. Data

Data on the targeted companies was collected from Bloomberg, as all the companies targeted by VCP are listed on the FTSE/JSE. The sample period spans the date on which VCP first began acquiring a stake in each target company to June 2024. For example, VCP's initial investment in Altron occurred in December 2016, followed by PPC in October 2017, with investments continuing through December 2023. The study also analyses the performance of companies that have exited VCP, such as Novus Holdings Limited.

Table 1: Target companies' allocation and exits

Target Companies	Deal Date	Industry	Exited Date
Altron	6 December 2016	Technology	-*
PPC	10 October 2017	Construction Materials	-
Novus Holdings	26 September 2017	Industrial services	4 August 2023
Cashbuild	23 September 2020	Building products	25 January 2022
African Phoenix Investments	6 June 2017	Investment holding	6 August 2019**

Source (Value Capital Partners) and Company SENS

*Unbundled Bytes Technology Group from Altron in 2020

** Delisted from the JSE on the 29 June 2020

3.2. Detailed hypothesis and theoretical framework

Based on the context of shareholder activism in South Africa and its potential to turn around poor-performing listed companies, the following detailed hypotheses and theoretical framework was developed:

Hypothesis 1: Improvement in Financial Performance

- H1a: Shareholder activism leads to an improvement in the return on assets (ROA) of poorly performing South African companies within two to three years post-intervention.
- H1b: Shareholder activism leads to an increase in the Operating Profit Margin (OPM) of poorly performing South African companies within two years post-intervention.

Hypothesis 2: Market Reaction

- H2a: The announcement of shareholder activism is associated with a positive abnormal stock return in the short term (within a 30-day window around the announcement).
- H2b: The market reaction to the announcement of shareholder activism is more pronounced in firms with prior poor performance than in better performing peers.

Hypothesis 3: Long-term Value Creation

- H3a: Shareholder activism results in long-term value creation, as measured by sustained improvements in stock price performance over five years or since the firm was targeted.
- H3b: Shareholder activism leads to sustained improvements in financial performance (ROA, OPM) over five years or since the firm was targeted.

To evaluate the veracity of these hypotheses, a combination of quantitative and qualitative research methods was employed. Event study methodology is employed in finance and accounting to assess the effect of events on company value. This research focuses on the South African context, examining the impact of individual campaigns conducted by Value Capital Partners (VCP). The study evaluates both the short-term and long-term effects of specific target company events, following the principles outlined in hedge fund activism literature.

3.2.1. Short term

The study begins by defining the event of interest, which occurs when VCP announces or initiates building a stake in a target company. The event window encompasses the period during which the initial stake is built, or the announcement is made, as this can affect the share price. This period can be divided into two parts: the day of the event and the periods both before and after the event. Following the methodology used in previous literature such Silva's (2019) study, the study uses a 41-day event window, which includes 20 days before the event, the event day, and 20 days after the event. In addition, the study employs a 252-day estimation window, as per Mackinlay (1997).

The calculation of normal returns based on the market is the model most widely used in the literature on hedge fund activism. This model relates the return of a security to the return of a market portfolio. In assessing the target companies of VCP, this study uses the broad South African FTSE/JSE All Share Index. Previous researchers, such as Silva (2019), have employed broad-based indices like the CDAX. However, the target companies in Silva's study were predominantly large-cap firms on the Frankfurt Stock Exchange, such as global insurer Munich Re and industrial group ThyssenKrupp. Brav (2008) notes that relatively few targeted companies are large-cap firms, with targets often exhibiting higher institutional ownership and trading liquidity, which makes it easier for activists to acquire significant stakes quickly. Similarly, the targeted firms in this study are "SA inc." companies, operating primarily within South Africa and the African region, justifying the inclusion of the mid-cap index.

Calculation of returns in this study was performed in the following way: Compute the abnormal return (AR) by subtracting the normal return from the actual return. Next, sum the daily AR values to obtain the cumulative abnormal return (CAR). Finally, a t-test was performed to assess whether the event had a significant effect on the stock return.

Calculating the significance test: This was included in the event study, aiming to assess whether the event had a significant impact on stock returns, as outlined in Equation 4 below. The analysis focuses on a specific point, seeking to determine whether the abnormal return of a particular stock was significant.

3.2.2. Long term

The method used to calculate long-term returns makes use of the buy-and-hold abnormal return (BHAR) approach. This approach involves comparing the returns of a buy-and-hold investment strategy for an event company with those of a similar non-event company or a matching benchmark portfolio over a specific period, as described by Silva (2019). In addition to the ALSI index used, the study also set out to include and experiment with sector-specific benchmarks for each of the target companies.

3.3. Variables

The calculation of normal return involves using a market model that links a security's return to the return of a market portfolio, using indices like the FTSE/JSE All Share Index (return of the market):

$$\hat{R}_{it} = \alpha_i + \beta_i R_{m_t} + \varepsilon_{it} \qquad \text{Eq. 1}$$

Where,

$\hat{R}_{it}$ - return of security i in the period

tR_{m_t} – return of the market in period t

ε_{it} – residual term

Calculation of abnormal return (AR) and cumulative abnormal return (CAR):

$$AR_{it} = R_{it} - \hat{\alpha}_i - \beta_i R_{mt} \qquad \text{Eq. 2}$$

$$CAR_i = \Sigma_{t=t_1}^{t_2} AR_{it} \qquad \text{Eq. 3}$$

Significance test to determine if the event had a significant impact on stock returns:

$$\theta_1 = \frac{AR_{it}}{s_{AR_i}} \sim t_{L_1 - 2} \qquad \text{Eq. 4}$$

Where

AR_{it} - Abnormal return for security i at time t

s_{AR_i} - Standard deviation of abnormal returns for security i

θ_1 - A standardised test statistic for abnormal returns

t_{L_1-2} - The t-distribution with $L1$ – 2 degrees of freedom

Buy-and-hold abnormal return (BHAR) to measure long-term returns, comparing the returns of a buy-and-hold investment strategy for the event company with a similar non-event company or a benchmark portfolio:

$$BHAR_{i \cdot t,T} = \prod_{t=1}^{T}[1 + R_{it}] - \Pi_{t=1}^{T}(1 + R_{Bt}) \qquad \text{Eq. 5}$$

4. Analysis of Activist Campaigns

The analysis covers all the VCP targeted campaigns, with the following areas of coverage:

- overview of the targeted company;
- event study ;
- evolution of the key financial performance and ratios.

4.1. Allied Electronics Corporation Limited (Altron)

4.1.1. Overview of the target company

Altron was founded by Dr Bill Venter in 1965, when it was known as Allied Electric. In 1975 it was listed on the JSE as Allied Technologies. The business remained in the family, with Dr Venter relinquishing leadership to his sons in 2001, while retaining the chair until early 2017. At its peak in 2007, the company's market value was more than R15 billion, but by 2016, Altron's value on the JSE had slipped to R1.7 billion (Hedley, How Altron has changed since the Venters, 2018).

The company is primarily an information technology company providing holistic technology solutions to businesses. Through its subsidiaries, it provides electronic and risk management solutions, which include vehicle tracking and recovery, data solutions, software asset management, and cyber security, among others (Alton Ltd MarketLine, 2023). The company operates globally and is headquartered in Johannesburg, South Africa. It operates through its subsidiaries, Allied Technologies Limited (Altech) and Bytes Technology Group (Bytes).

In 2017, founder chairperson Dr Venter stepped down from his role and a year later retired as a non-executive director to make way for new management and executives whose mission was to turn the now ailing company around. The family's decades-long reign came to an end in December 2016 when the group and family reached an agreement with investment company Value Capital Partners to invest R400 million (Mochiko, 2016).

In late 2016, VCP presented a proposal to Altron's directors and shareholders, suggesting collaboration to enhance the company's governance, strategy, and capital allocation. The proposal was well received, leading shareholders to approve a direct equity issuance to VCP, making it a significant minority shareholder in Altron (Value Capital Partners, 2023). In

December 2016, VCP invested in Altron, acquiring a 15% stake (Gavaza, 2024). The initial Stock Exchange News Services (SENS) announcement took place on 6 December 2016 at 09:12, when Altron made shareholders aware that the company was entering negotiations that would materially affect its share price. On the same day, at 16:10, the second announcement indicated the company's intention:

> "Shareholders are referred to the cautionary announcement released on the Stock Exchange News Service ('SENS') earlier today and are now advised that, in line with Dr. Bill Venter's and Altron's previously stated intention to move from a family-controlled and managed business to independent management and to continue to build a focused IT business, the Company intends to:
>
> - collapse the control structure;
> - introduce a new strategic partner who will invest R400 million; and
> - reconstitute Altron's board of directors" (Allied Electronics Corporation Limited, 2016).

The announcement caused the share price to rally by 20%, closing 16.4% higher at R8.72c. (Mochiko, 2016). The announcement indicated that the two founders of VCP would join Altron's board of directors as non-executive directors.

VCP's philosophy of investing in businesses that have attractive business models trading at significantly below intrinsic value lent itself to material value unlock. With Altron, VCP's intention was to be an engaged shareholder and assist with the implementation of strategies to maximise returns for all Altron shareholders (Allied Electronics Corporation Limited, 2016).

Analysts viewed the move as the right step, not only for the company but for shareholders, who often criticised the family's control and felt that the introduction of a strategic partner and change of ownership structure was good news for minority shareholders.

Several governance changes followed the announcement, with the most notable being a change to the historical dual share class control structure, remuneration policy revisions to better align executive pay to shareholder outcomes, and board changes that included the appointment of industry veteran Brett Dawson and the two VCP founders. New leadership, including Mteto Nyati, was brought in with the support of shareholders, and the company began making improvements in strategy and capital allocation. This culminated in Altron concluding a landmark listing of its subsidiary, the Bytes Technology Group, on the London Stock Exchange (LSE) (Value Capital Partners, 2023).

4.1.2. Event study

This section analyses the impact of VCP's entry announcement into Altron (AEL). If the market reacts favourably, the company's share price should rise following the announcement. Over time, this price increase may either be sustained or reversed, depending on the activist's success in driving company performance. The analysis was conducted using an event study, focusing on both short-term and long-term performance.

4.1.2.1 Short-term performance

The short-term impact of the campaign was analysed by assessing whether the event led to a significant abnormal return (AR) and a cumulative abnormal return (CAR) during the period surrounding the announcement. Calculating the abnormal return first required determining the normal return, which was obtained using the market model defined in Equation 1.

The model's coefficients, alpha and beta, were estimated using an estimation window of 252 days preceding the event window. Alpha and beta were, respectively, the intercept and the slope of the regression between the Altron stock returns (AEL) and the market index returns (J203, being the JSE All Share Index). Below are the estimated values of these coefficients:

Table 1: Market model coefficients

Alpha	**0.003054**
Beta	**0.089659**

Once the market model coefficients were estimated, the normal return for AEL could be calculated for the event period (–20 to +20). The abnormal return was determined by calculating the difference between the expected normal return and the actual share price return. Table 2 displays the abnormal return for each day within the event window, along with the significance test results.

Table 2: Abnormal return and results of the significance test for AEL

t	Ri (AEL)	Rm (JSE ALSI)	Normal Return	Abnormal Return (AR)	t-test (AR)
–20	0.01398	0.01077	0.00402	0.00996	0.28302
-19	0.00000	-0.00010	0.00304	-0.00304	-0.08648
-18	-0.03447	0.00111	0.00315	-0.03762	-1.06854
-17	0.00000	-0.02418	0.00089	-0.00089	-0.02516
-16	0.00000	-0.01403	0.00180	-0.00180	-0.05101
-15	-0.01430	0.00263	0.00329	-0.01759	-0.49967
-14	0.00000	0.01208	0.00414	-0.00414	-0.11750
-13	0.00000	0.01234	0.00416	-0.00416	-0.11818
-12	0.02031	0.00050	0.00310	0.01721	0.48873
-11	-0.01990	-0.00073	0.00299	-0.02289	-0.65017
-10	0.04349	0.01295	0.00422	0.03928	1.11554
-9	0.00000	-0.01040	0.00212	-0.00212	-0.06025
-8	0.00000	-0.00457	0.00264	-0.00264	-0.07511
-7	-0.00695	0.00370	0.00339	-0.01034	-0.29365
-6	-0.04895	-0.00420	0.00268	-0.05163	-1.46644
-5	0.01470	-0.00183	0.00289	0.01181	0.33554
-4	-0.02173	-0.00125	0.00294	-0.02467	-0.70064
-3	0.02963	-0.00491	0.00261	0.02701	0.76719
-2	0.00000	-0.01495	0.00171	-0.00171	-0.04867
-1	0.07771	0.01004	0.00395	0.07375	2.09470
0	0.16420	-0.01223	0.00196	0.16225	4.60814
1	-0.00343	0.01199	0.00413	-0.00756	-0.21476
2	0.00114	0.02152	0.00498	-0.00384	-0.10909
3	0.00000	0.00956	0.00391	-0.00391	-0.11108
4	0.01265	-0.00741	0.00239	0.01026	0.29141
5	0.05222	0.00986	0.00394	0.04828	1.37133
6	-0.00216	-0.00431	0.00267	-0.00482	-0.13703
7	-0.02812	-0.01952	0.00130	-0.02942	-0.83567
8	-0.04226	0.00534	0.00353	-0.04580	-1.30071
9	0.03833	0.00972	0.00393	0.03440	0.97715
10	-0.03580	-0.00315	0.00277	-0.03858	-1.09562
11	0.00349	-0.00780	0.00235	0.00113	0.03217
12	-0.00348	-0.00677	0.00245	-0.00592	-0.16821
13	-0.00115	0.01870	0.00473	-0.00588	-0.16709
14	0.00465	0.00933	0.00389	0.00075	0.02144
15	0.00000	-0.00051	0.00301	-0.00301	-0.08545
16	0.00000	0.00690	0.00367	-0.00367	-0.10432
17	0.00577	-0.00196	0.00288	0.00289	0.08219
18	0.00116	-0.00851	0.00229	-0.00113	-0.03221
19	-0.00116	0.01194	0.00412	-0.00528	-0.14996
20	0.00575	-0.00344	0.00275	0.00301	0.08545

Table 2 shows that the announcement day (t=0) caused positive reactions. As a result, AEL had a rally relative to the market (ALSI), with stock return increasing by 16.4%. In the following days, the impact remained minimal, showing little to no negative effect from the news. However, AEL's abnormal return was not confined to the announcement day but extended to the days leading up to it. Therefore, based on the table, it may be concluded that VCP's announcement generated a positive reaction. In addition, t-1 and t0 are statistically significant. t-1 is significant at the 5% level, and t0 is highly significant at the 1% level. Thus, indicates a positive and statistically significant market reaction around the event day, suggesting the event (announcement) was favourably received by the market. However, the other days (t-stats below 1.96%) were not statistically significant.

Figure 1 below shows the evolution of both the AR and CAR, showing that the news was greeted by a drop in the CAR line (t0). What is also quite apparent from Figure 1 is the volatility of AEL during this window period. The fact that AEL was a mid-cap could be one aspect of the below viewing.

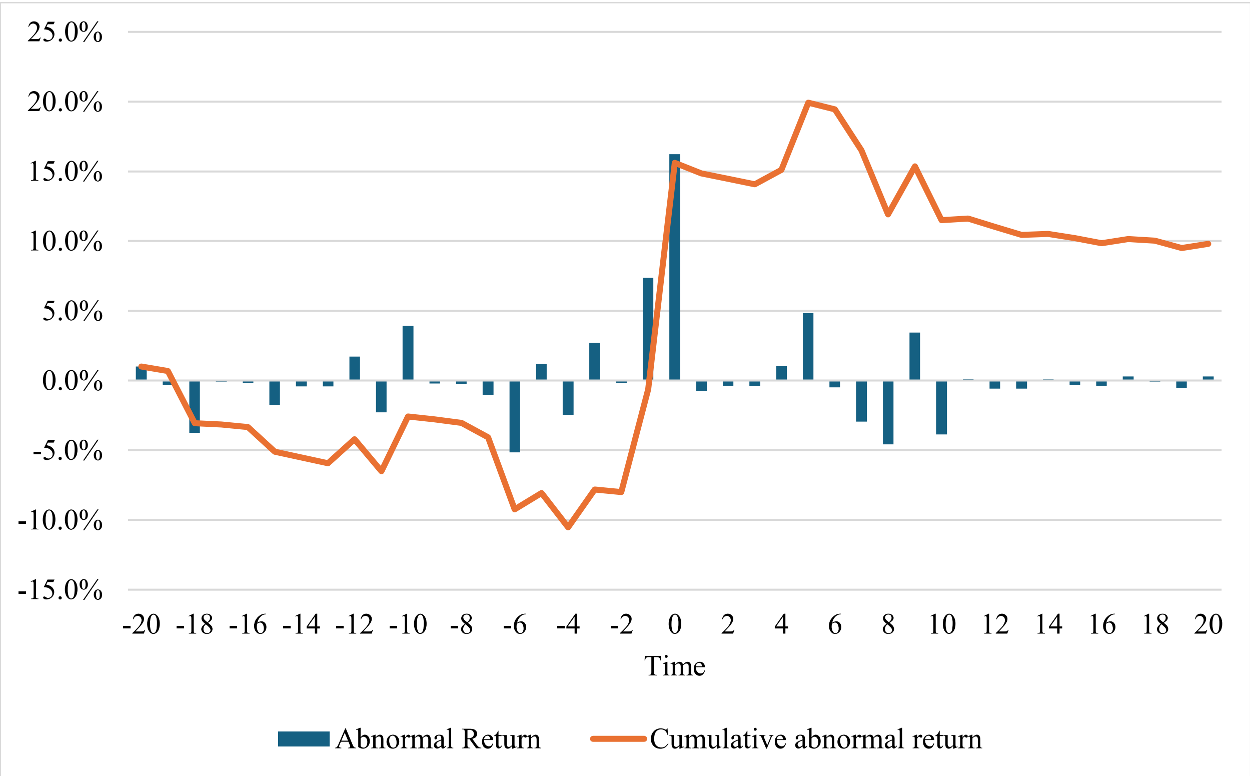

Figure 1: Abnormal return and cumulative abnormal return of AEL over the (–20; +20) event window

Table 3 shows that the CAR for intervals occurring either entirely before or after the event, the long-term window (–20; +20) shows a statistically significant positive CAR, suggesting a persistent abnormal return after the event, whilst –10; +10) is borderline significant, indicating possible market reaction, but not strongly conclusive. Window (–1; +1) shows the highest CAR (9.94%), but it's not statistically significant.

Table 3: Cumulative abnormal returns and results of the significance test

Interval	CAR	t-test (CAR)
(–20; +20)	4.39%	0.0037
(-10; +10)	4.80%	0.0505
(-1; +1)	9.94%	0.1332

4.1.2.2 Long-term performance

Figure 2 shows the buy-hold of AEL and ALSI from the time of the announcement of VCP's involvement to June 2024.

Figure 2: Buy-hold of AEL and ALSI from announcement until June 2024

AEL price adjusted for Bytes unbundling

To assess the long-term impact of VCP's entry into AEL, the buy-and-hold abnormal return (BHAR) was calculated, as defined in Equation 5. This approach involves comparing a hypothetical investment made in AEL on the event date with an equivalent hypothetical investment in a matching benchmark (ALSI index) over the same period.

From the day VCP announced its entry in AEL (6 Dec 2016) until 28 June 2024 (with AEL remaining a holding), AEL had a BHAR of over 371%. This value is illustrated in Figure 2 as the gap between the buy-hold AEL line and the buy-hold ALSI line on the last day of assessment (28 June 2024).

When the BHAR was calculated relative to its sector index (FTSE/JSE Technology Index), the return was even wider, at 502.71%, as shown in Figure 3 below. As may be seen, AEL outperformed both the ALSI and the sector index.

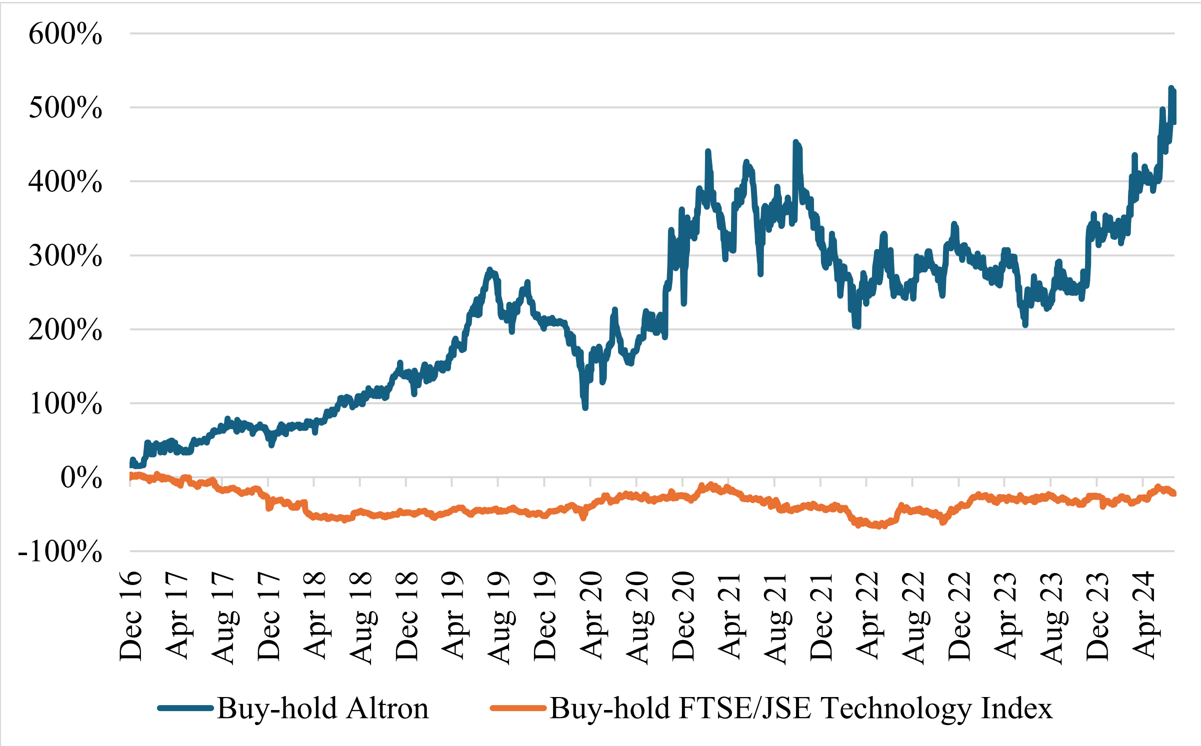

Figure 3: Buy-hold of AEL and FTSE/JSE Technology Index from announcement until June 2024

4.1.3. The evolution of key financial figures

An analysis of Altron's financial ratios and figures was performed in order to evaluate changes within the company during the activist's involvement, and to identify the sources of gains or losses for the activist. Table 4 presents Altron's financial results from 2016 to 2024, providing context for the company's performance throughout this timeframe. The key points below summarise the main findings from the analysis:

- The total value of assets in VCP’s first financial year (FY 2017) decreased compared to the previous year but saw an increase from FY 2018 to FY 2020. In FY 2021, total assets declined again owing to two significant events: First, the COVID-19 pandemic negatively impacted performance, and second, the unbundling of Altron's subsidiary, Bytes Technology Group, and its separate listing on the London Stock Exchange in 2020, naturally reduced Altron’s asset value. The unbundling was announced in April 2020 and finalised on 17 December 2020, with Bytes UK trading independently and Altron shareholders receiving R10.9 billion in Bytes’ ordinary shares and cash (Gavaza, 2020). Following the unbundling, total assets decreased but began to recover from FY 2023 onwards. VCP was credited as the driving force behind the unbundling, which was named South Africa’s Deal of the Year in 2020 (Deal Makers, 2021). In February 2020, the VCP team first presented a proposal to the Altron Group Board to unbundle and list the UK business separately. The transaction was approved on 1 December 2020 during an extraordinary general meeting, with the majority of shareholders voting in favour. Bytes Technology Group plc began trading on the LSE on 10 December 2020.
- Return on assets (ROA) and return on common equity (ROCE) showed improvements in FY 2017, recovering from the previous year's negative lows of –5.89 and –26.92, respectively, indicating that the business had been unprofitable for some time. In FY 2021, the Bytes deal, which returned shares and cash to shareholders, caused a spike in both financial metrics. However, these metrics returned to negative territory in FY 2023 and 2024.
- Earnings per share (EPS) and the share price benefited from VCP's tenure, with the share price peaking in FY 2020. The most recent results showed further improvement, with the share price reaching R10.03 and EPS remaining stable. There were no dividend payouts during this period because of reinvestments in the business.

- The debt-to-equity ratio, a key leverage measure, declined from a peak of 126.9, indicating that the company began using its assets more efficiently and relied less on borrowing.
- Market capitalisation saw year-on-year growth during VCP’s initial FY, peaking in FY 2020, and showed improvement in the following two financial years under review.

The influence of the activist shareholder on the company's financial framework during VCP’s tenure clearly led to significant improvements during the period under review. Key financial ratios, such as ROA and profit margins, saw improvements over two to three fiscal years. VCP joined Altron's board in FY 2017 and continued as a non-executive director. Before VCP's investment, Altron was one of the few remaining JSE-listed companies with super-voting shares, enabling the founding family to maintain control, despite owning less than 50% of the company. When VCP came on board, this structure was dismantled, creating an opportunity to unlock substantial value.

The board was restructured, with the appointment of a new Chairperson, CEO, industry experts, and two VCP directors, which addressed previous governance issues. As shown in Figure 4, before VCP’s announcement of their R400 million (15%) investment on 6 December 2016, Altron’s share price had suffered an 87% decline over the previous decade.

These milestones since December 2016 suggest that VCP's involvement brought significant positive change, as seen in the financial metrics, leading to the unlocking of shareholder value and improvements in corporate governance.

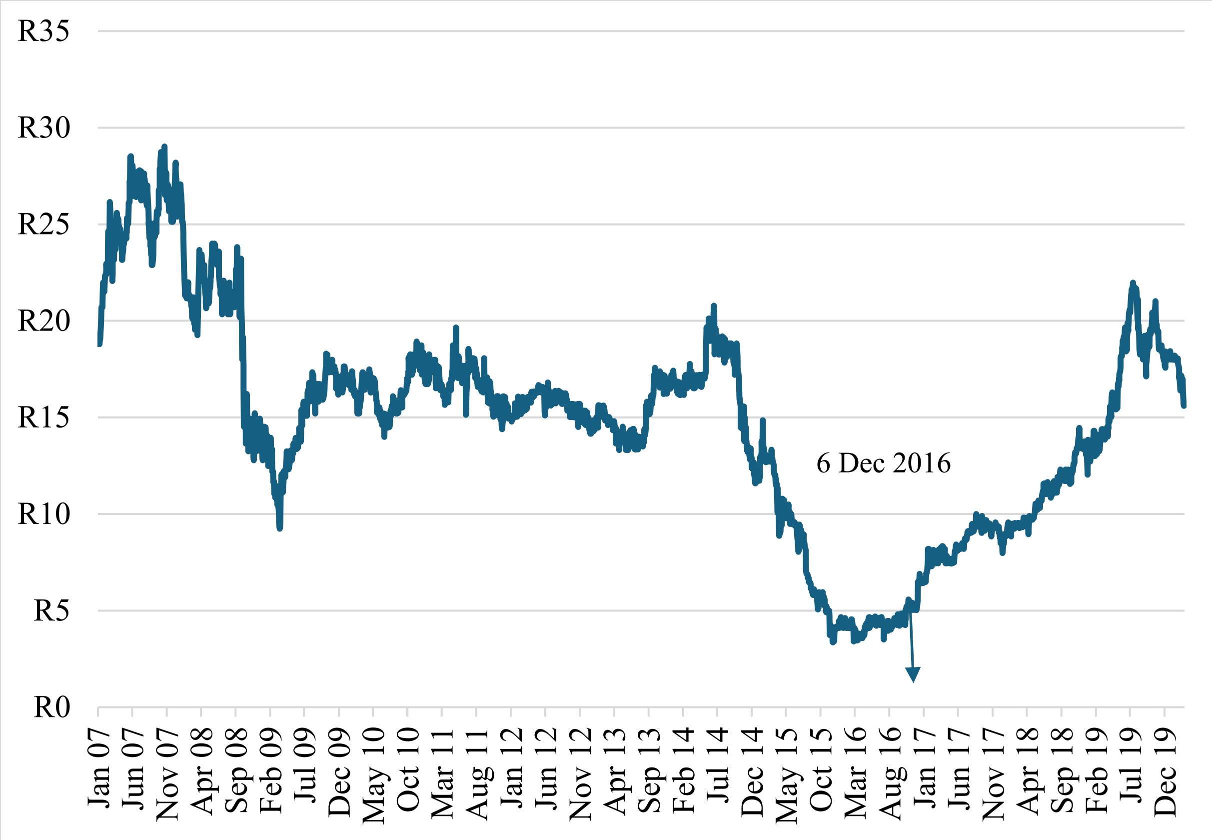

Figure 4: 10-year share price performance before VCP investment

Table 4: Main financial figures and ratios of Altron from 2016–2024

Altron Ltd (AEL SJ)									
In Millions of ZAR except Per Share	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
12 Months Ending	**02/29/16**	**02/28/17**	**02/28/18**	**02/28/19**	**02/29/20**	**02/28/21**	**02/28/22**	**02/28/23**	**02/29/24**
Total Assets	14447,00	9551,00	9936,00	11601,00	13613,00	10385,00	9369,00	9662,00	9355,00
+ LT Investments	199,00	302,00	468,00	0,00	329,00	0,00	0,00	0,00	0,00
+ Cash, Cash Equivalents & STI	1491,00	1373,00	1067,00	1407,00	1823,00	1454,00	757,00	740,00	1137,00
Equity Before Minority Interest	2847,00	2268,00	2790,00	3535,00	3944,00	4764,00	4248,00	4182,00	3923,00
Total Liabilities	11711,00	7523,00	7391,00	8228,00	9862,00	5519,00	5015,00	5362,00	5286,00
+ LT Debt	2675,00	1923,00	1502,00	1262,00	1712,00	604,00	858,00	852,00	426,00
Revenue	14357,00	13892,00	14743,00	15723,00	7383,00	7505,00	7930,00	8445,00	8250,00
EBIT	702,00	726,00	791,00	1041,00	462,00	366,00	320,00	583,00	738,00
Number of Employees	12676,00	10219,00	6936,00	6010,00	9133,00	7711,00	5616,00	5009,00	4597,00
Diluted EPS, GAAP	-2,59	-0,54	0,50	1,90	1,73	32,36	-0,28	-0,01	-0,43
Dividends per Share	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Last Price	4,10	7,71	9,28	14,23	15,75	9,20	6,56	7,95	10,03
Return on Assets	-5,89	-1,54	1,92	6,60	5,14	101,29	-1,05	-0,04	-1,72
Return on Common Equity	-26,92	-7,23	7,39	22,48	17,33	279,15	-2,31	-0,09	-4,05
Profit Margin	4,58	3,76	3,29	4,13	2,05	1,59	1,20	3,81	5,39
Dvd Payout Ratio	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Net Debt to Equity	126,90	89,65	71,16	45,06	37,78	-0,66	10,61	6,63	-2,90
Market Capitalization	1853,83	3509,58	4617,86	6978,57	7495,20	4285,08	2752,08	3244,40	3899,83

Source: Bloomberg

4.2. PPC

4.2.1. Overview of the target company

Pretoria Portland Cement Company Limited (PPC), originally named De Eerste Cement Fabrieken Beperkt, was founded in 1892. The company rebranded in 1908 before being listed on the JSE in 1910. PPC was South Africa's first cement manufacturer and expanded its operations across sub-Saharan Africa (Macleod, 2023). With a strong base on the continent, PPC diversified its presence by entering Ethiopia in 2012 through a $7 million equity stake in Habesha Cement. In 2013, PPC further extended its reach in Africa by acquiring a 51% shareholding in Rwanda’s Cimerwa Cement Limited (CCL) alongside the government. In the same year, PPC began construction of a new cement plant in the Democratic Republic of Congo (DRC) through a partnership with PPC Barnet Cement based in the DRC, securing a 69% stake in the venture. While PPC pursued various regional expansion strategies, it faced a declining share price at home owing to various challenges, including cultural misalignment. This expansion and its challenges highlight the importance of macro analysis and strategic entry modes (Macleod, 2023).

The year 2010 was an important one for the company and the country, with South Africa’s hosting of the FIFA Football World Cup – the first time the event had been hosted on the African continent. The drive to build infrastructure such as stadiums, rail transit systems, and power plant projects benefitted the company and its peers in the building and materials sector, supported by South African GDP growth of 3%. However, after these events, building projects dried up, not only for PPC but also for the value chain in the sector, made up of large companies. Oligopoly power was heavily impacted, with infrastructure investment slowing down from its peak in the years leading up to 2010.

VCP made its initial investment in PPC in October 2017, with a SENS announcement by PPC on 10 October 2017, communicating VCP’s acquired interest in shares amounting to 5.01% (Profile Data, 2017). By early 2020, the firm had increased its stake to 15% (Business Day, 2020). Prudential Investment Managers (now M & G Investments), with the backing of major shareholders such as the Public Investment Corporation (PIC) and VCP, took steps to restructure the Board by appointing a new Chairperson and introducing non-executive directors with enhanced skills and expertise. These changes were essential to provide the company with a solid foundation for sustained long-term growth (Wood, 2018). On 2 March 2020, PPC Chairperson at the time, Peter Nelson, stepped down, having joined the board in 2015. He was succeeded by Jabulani Moleketi. VCP also added two of their team members as non-executive directors (Mahlaka, 2018). Other appointments included a new CEO, Roland van Wijnen, and CFO Ronel van Dijk. Following corporate action, PPC’s share price recovered from a low of R3.44 (Aug 2017) to R6.46 (Aug 2018).

4.2.2. Event study

This section analyses the impact of VCP's entry announcement into PPC. If the market reacts favourably, the company's share price should rise following the announcement. Over time, this price increase may either be sustained or reversed, depending on the activist's success in driving company performance. The analysis was conducted using an event study, focusing on both short-term and long-term performance.

4.2.2.1. Short-term performance

The short-term impact of the campaign was analysed by assessing whether the event led to a significant abnormal return (AR) and a cumulative abnormal return (CAR) during the period surrounding the announcement. Calculating the abnormal return required determining the normal return, which was obtained using the market model defined in Equation 1.

The model's coefficients, alpha and beta, were estimated using an estimation window of 252 days preceding the event window. Alpha and beta are, respectively, the intercept and the slope of the regression between the PPC stock returns and the market index returns (J203 being the JSE All Share Index). Table 5 shows the estimated values of these coefficients.

Table 5: Market model coefficients

Alpha	**0,000157**
Beta	**1,035296**

Once the market model coefficients had been estimated, the normal return for PPC could be calculated for the event period (–20 to +20). The abnormal return was determined by calculating the difference between the expected normal return and the actual share price return. Table 6 displays the abnormal return for each day within the event window, along with the significance test results.

Table 6: Abnormal return and results of the significance test for PPC

t	Ri (PPC)	Rm (JSE ALSI)	Normal Return	Abnormal Return (AR)	t-test (AR)
–20	0.01732	0.00098	0.00117	0.01615	0.62340
-19	-0.07430	0.00374	0.00403	-0.07833	-3.02376
-18	-0.00334	-0.00135	-0.00124	-0.00211	-0.08141
-17	0.04698	-0.00297	-0.00292	0.04990	1.92610
-16	0.02564	-0.00398	-0.00397	0.02961	1.14298
-15	0.00469	0.00568	0.00604	-0.00135	-0.05215
-14	-0.01244	-0.00118	-0.00106	-0.01138	-0.43911
-13	-0.02048	-0.00020	-0.00005	-0.02043	-0.78845
-12	0.01286	-0.00090	-0.00078	0.01364	0.52648
-11	-0.00635	0.00036	0.00053	-0.00688	-0.26544
-10	-0.01757	-0.01292	-0.01322	-0.00435	-0.16797
-9	0.00000	0.00041	0.00058	-0.00058	-0.02257
-8	0.00325	-0.00338	-0.00334	0.00660	0.25463
-7	0.02431	0.00927	0.00975	0.01456	0.56200
-6	0.00000	-0.00016	0.00000	0.00000	0.00013
-5	0.02373	0.00697	0.00738	0.01635	0.63133
-4	-0.00154	0.00866	0.00913	-0.01067	-0.41185
-3	-0.00155	0.00318	0.00345	-0.00500	-0.19299
-2	-0.01240	0.00493	0.00526	-0.01766	-0.68176
-1	-0.00942	0.00432	0.00463	-0.01405	-0.54238
0	0.04596	0.00433	0.00464	0.04132	1.59496
1	0.05151	0.00471	0.00503	0.04648	1.79437
2	-0.02161	0.00223	0.00247	-0.02408	-0.92958
3	0.00589	0.00285	0.00311	0.00278	0.10745
4	0.00293	0.00388	0.00417	-0.00124	-0.04794
5	0.02044	-0.00651	-0.00658	0.02702	1.04308
6	-0.02719	0.00509	0.00543	-0.03261	-1.25886
7	0.01177	-0.00407	-0.00406	0.01582	0.61087
8	0.00000	-0.00115	-0.00103	0.00103	0.03978
9	-0.00436	0.00076	0.00095	-0.00531	-0.20487
10	-0.00730	-0.00239	-0.00231	-0.00499	-0.19254
11	-0.00294	-0.00047	-0.00032	-0.00261	-0.10081
12	-0.02065	0.00373	0.00402	-0.02467	-0.95246
13	0.02409	0.00345	0.00373	0.02037	0.78618
14	0.04118	0.00284	0.00310	0.03808	1.46998
15	0.04096	0.00064	0.00082	0.04014	1.54935
16	0.04206	0.00795	0.00838	0.03368	1.30002
17	-0.01693	-0.00038	-0.00024	-0.01669	-0.64414
18	-0.01060	0.00261	0.00286	-0.01345	-0.51934
19	-0.04685	0.00232	0.00256	-0.04942	-1.90760
20	0.01405	0.00209	0.00232	0.01173	0.45267

Table 6 indicates that on the announcement day (t=0), the stock return exceeded its expected value by more than 4%. At t+1, the stock continued to rise, closing just under 5% for the trading day. In addition, positive movements were observed on t+5, t+14, t+15, and t+16. Based on these results, it may be concluded that VCP's announcement regarding PPC elicited a positive reaction from investors, with the impact primarily concentrated on the announcement day and the four highlighted days (above) within the window period. Only t-19 shows a statistically significant abnormal return at the 1% level, AR (-0.07833) and t (-3.02), suggesting a strong negative reaction 19 days before the event. However, t0 and t1 show moderately hight t-values, implying some positive market reaction around the announcement, but not statistically significant at the 5% level.

Figure 5 shows the abnormal return and cumulative abnormal return of PPC over the (–20; +20) event window.

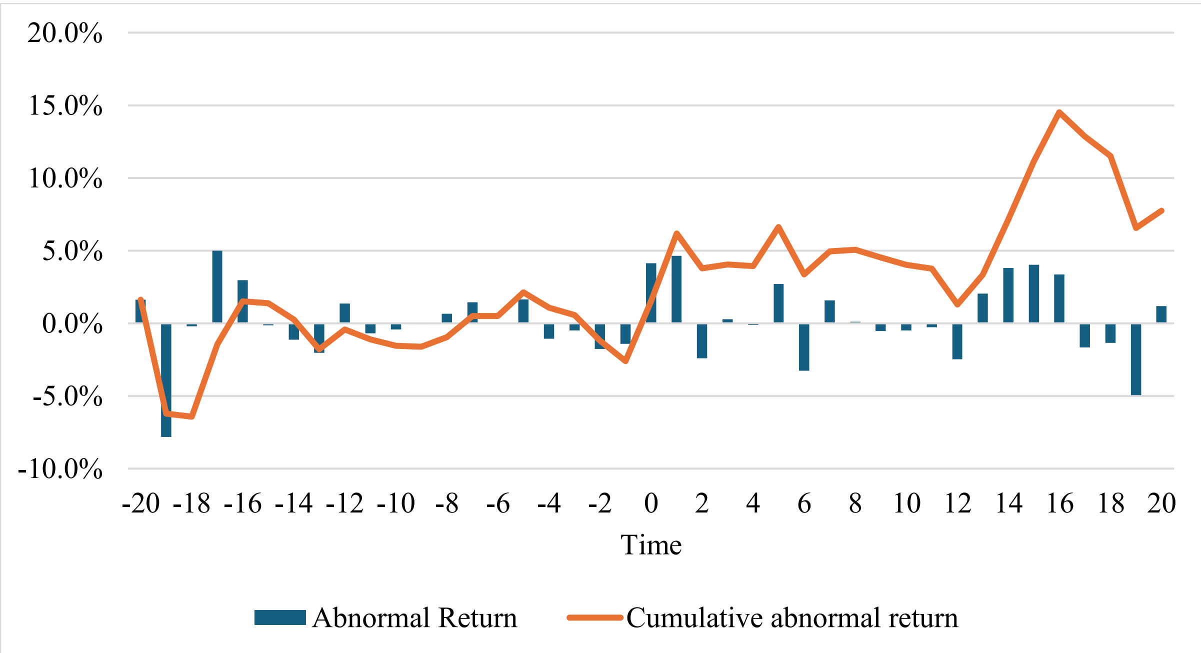

Figure 5: Abnormal return and cumulative abnormal return of PPC over the (–20; +20) event window

The cumulative abnormal return (CAR) line exhibits an upward trend, primarily driven by the sharp increase in abnormal returns on the announcement day. The CAR trend reaches its peak between t+13 and t+16 before beginning to decline. The intervals where CARs are significantly different from zero include both the announcement day and subsequent days. This indicates that the event's impact extended beyond the announcement day, influencing returns over a broader period.

Table 7 shows the cumulative abnormal returns and the results of the significance test for PPC. (–20; +20) and (–10; +10) show positive and statistically significant CARs with very low p-values, indicating that the market reacted positively when given more time to digest the event. Over both medium and long event windows, PPC delivered abnormal gains likely attributable to the event. For (–1; +1) shows a positive but insignificant CAR.

Table 7: Cumulative abnormal returns and the results of the significance test

Interval	CAR	t-test (CAR)
(–20; +20)	2.74%	0.0003
(-10; +10)	1.99%	0.0017
(-1; +1)	1.71%	0.5379

4.2.2.2. Long-term performance

Figure 6 shows the buy-hold of PPC and ALSI from announcement until June 2024.

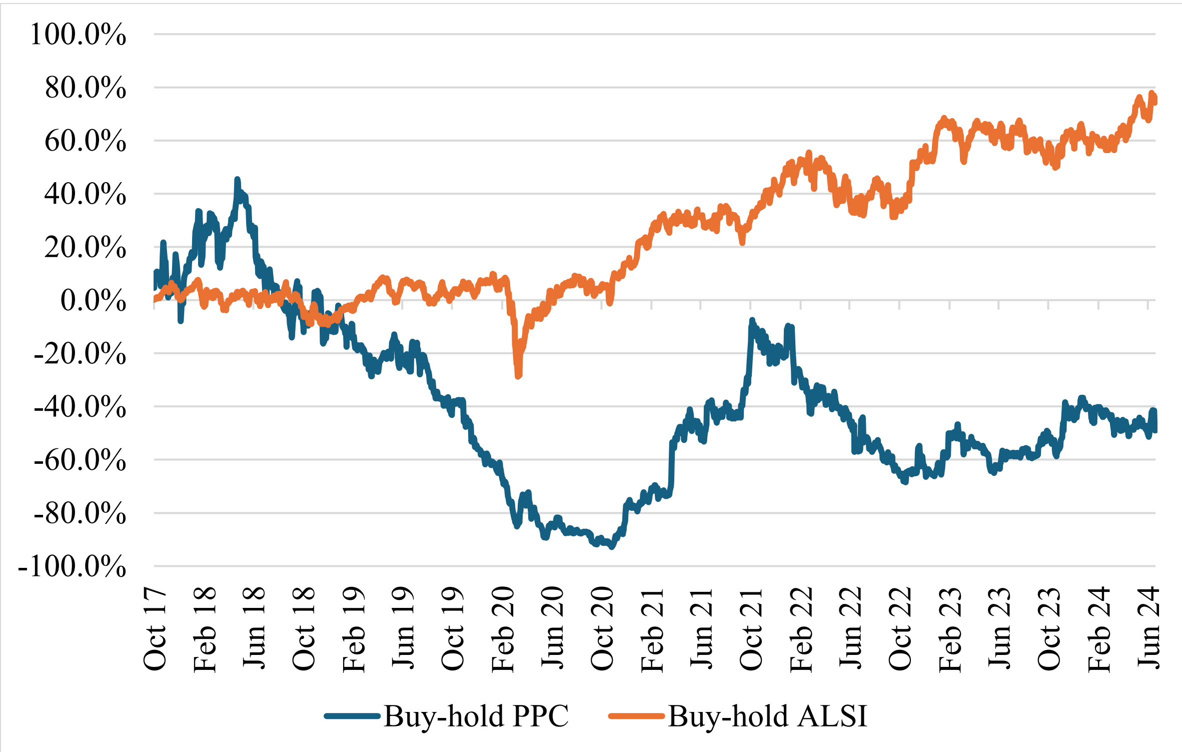

Figure 6: Buy-hold of PPC and ALSI from announcement until June 2024

To evaluate the long-term impact of VCP's entry in PPC, the buy-and-hold abnormal return (BHAR) was calculated, expressed in Equation 5. This approach simulates an investment in PPC made on the event date, compared to an equivalent investment in a matching benchmark (ALSI index) over the same period..

From the day VCP announced its entry into PPC (10 Oct 2017) until 28 June 2024 (with PPC remaining a holding), PPC had a BHAR of –124.8%. This value is illustrated in Figure 6 as the gap between the buy-hold PPC line and the buy-hold ALSI line on the last day of assessment (28 June 2024). From Figure 5, we can see that the PPC share price evolved and fared better than the market index until early 2019, when the ALSI outperformed, with the gap somewhat closing in 2021–22 but continuing to lag thereafter. However, when analysing PPC against its sector benchmark (FTSE/JSE Construction and Materials Index), we can see a material difference.

In Figure 7, we see the PPC share price evolving above and similarly to the sector index in the early years, but by 2020, at the height of the pandemic, the deviation is exacerbated, rebounding in 2021. Thereafter it continued to lag, with both the ALSI and sector index continuing with their upward trend.

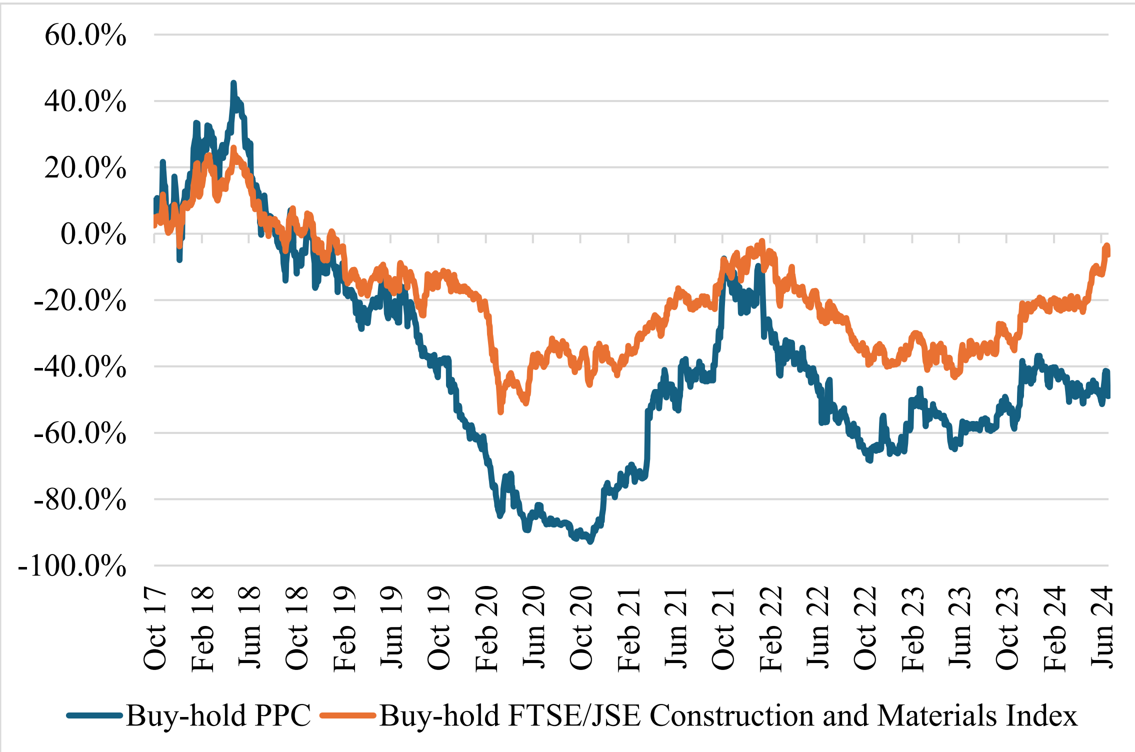

Figure 7: Buy-hold of PPC and FTSE/JSE Construction and Materials Index from announcement until June 2024

4.2.3. Evolution of key financial figures

The analysis of PPC's financial ratios and figures aimed to examine, first, the changes that occurred within the company during the period of the activist's involvement and, second, the sources of gains or losses for the activist. Table 8 presents PPC’s financial results from 2015, with 2016 omitted (Bloomberg 2016 financials missing), and thereafter from 2017 to 2024, providing context for the company's performance throughout this timeframe. The key points below summarise the main findings from the analysis:

- The total value of assets in VCP’s first financial year (FY 2017) decreased from a peak of R3805 m to the latest number of R3193 m in FY 2024. However, the financial years from 2018 to 2020 saw balance sheet assets increase year on year (y-o-y). When looking at the period FY 2024 vs. FY 2023 (R3193 m vs R2759 m), we see an uptick of about 16%. A contributing factor could be the LT investments book increase y-o-y. On the other side of the balance sheet, equity has seen a considerable decrease y-o-y, peaking at FY 2019, while liabilities declined from a peak in FY 2015 to current levels of R3658 m, with FY 2024 being 70% less than FY 2015. Although elevated, debt also declined slowly over the period, accompanied by the company agreement to sell Lime for R515 m, which helped to de-lever the balance sheet and reduce the likelihood of a capital raise, with the proceeds used to settle the debt pile in South Africa (Gernetzky, 2021). To date, the company has reduced debt by over 50%.
- Revenue has increased steadily, outside of the outlier periods of FY 2020 and FY 2023. The FY 2020 was affected by tough trading conditions for South African cement and further exacerbated by the COVID-19 pandemic, which emerged during the last month of the financial year. EBIT was on a downward trajectory to some degree, as seen from FY 2019–2020 and FY 2020–2023; however, it picked up substantially in the most recent financials, specifically FY 2024. In the 2024 financials, the company saw revenue increase by 20.6% on the back of strong performance driven by its Zimbabwean operation (PPC, 2024). Profitability has been on a downward trajectory, with some pockets of increase, the most notable being in FY 2023–2024 on the back of improvements in regions such as Zimbabwe and Botswana.
- Return on assets (ROA) come to fruition in the last FY 2024 and the early target period. When compared with FY 2018, FY 2024 showed a substantial uptick in ROCE.

- Earnings per share (EPS) have been marginal, with the most significant improvement shown in the latest financials. Share price since the target date by VCP improved, particularly between FY 2017 and FY 2018; however, the share price experienced a downward trajectory in 2020, improving thereafter to R3.80 and then dropping back to R2.90. There were no dividend payouts during this period owing to ongoing company restructuring.
- The debt-to-equity ratio declined from a peak of 237.1, indicating that the company began using its assets more efficiently and was relying less on borrowing. This is most evident in the FY 2024 numbers.
- Market capitalisation began with the period of increase from FY 2018 vs FY 2017 but is also seen in large drawdowns in the FY 2020 period.

Unlike the Altron campaign, the PPC turnaround story was a lot more difficult and painfully slow for shareholders. The latest financials do show some signs of improvement with a change of leadership in late 2023, when Matias Cardarelli was appointed as the new CEO. The latest results show that the share price increased by 18.8% over the past twelve months. Although coming from a low base, FY 2024 was more credible than FY 2023. The company's financial metrics have shown more of a deterioration, with a non-improving ROA and profit margin showing mixed results of loss and, at the latest, some gains. Different regions within its portfolios continue to be mixed. South African operations remain challenging, while Zimbabwe operations are faring well. In its restructuring, the company has offloaded operations that have not fared well, most recently with the sale of its Rwanda business for US$ 42.m. Post the receipts of these proceeds, the company indicated it would pay a special dividend, the first since 2015. With new management (current CEO appointed December 2023) in place since early 2024, the value unlock may take a little longer than was the case in the previous target, Altron.

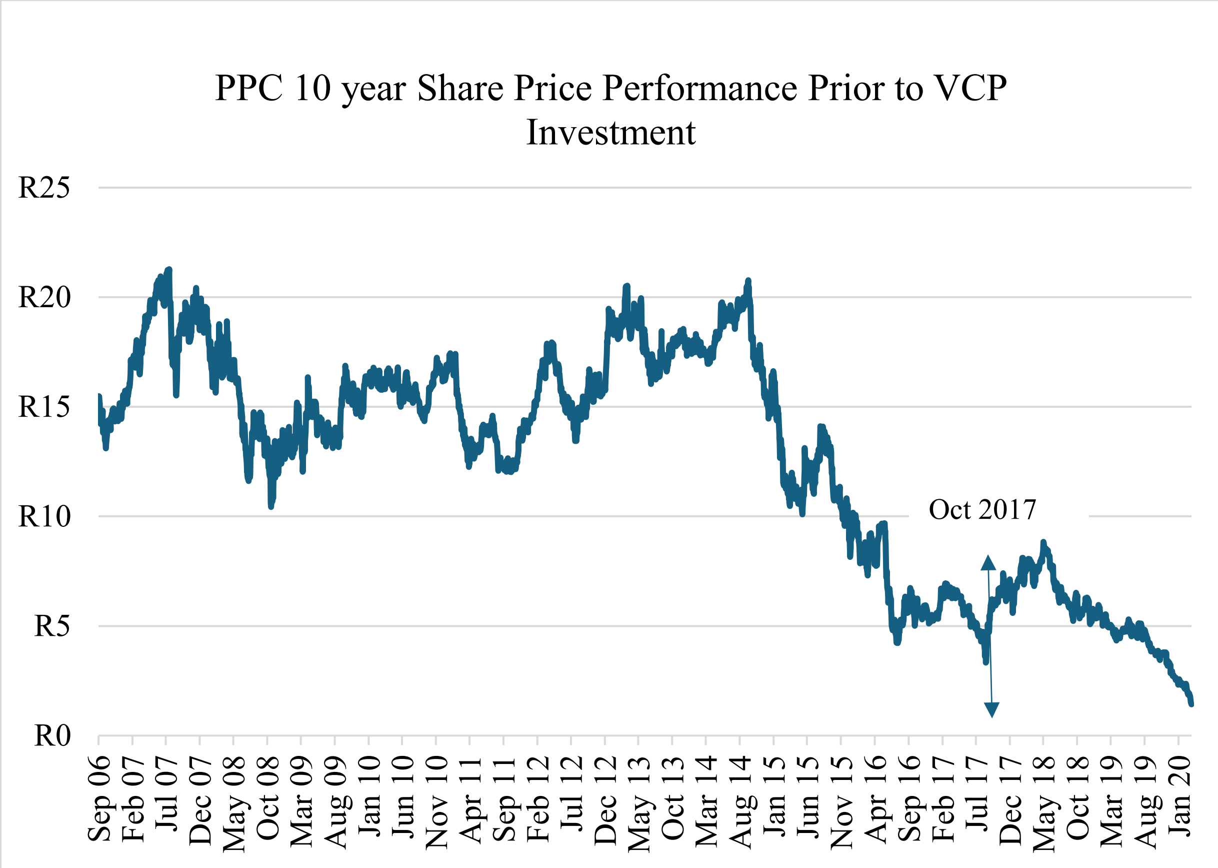

Figure 8: 10-year share price performance before VCP investment

Table 8: Main financial figures and ratios of PPC from 2016–2024

PPC Ltd (PPC SJ)									
In Millions of ZAR except Per Share	**FY 2015**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
12 Months Ending	**09/30/2015**	**03/31/2017**	**03/31/2018**	**03/31/2019**	**03/31/2020**	**03/31/2021**	**03/31/2022**	**03/31/2023**	**03/31/2024**
Total Assets	2979,00	3805,00	3262,00	3071,00	3389,00	2676,00	2711,00	2759,00	3193,00
+ LT Investments	207,00	380,00	303,00	679,00	309,00	196,00	166,00	185,00	207,00
+ Cash, Cash Equivalents & STI	718,00	990,00	836,00	452,00	398,00	457,00	577,00	424,00	857,00
Equity Before Minority Interest	2643,00	8051,00	7768,00	8898,00	7780,00	6883,00	7350,00	5725,00	5970,00
Total Liabilities	12093,00	9650,00	8318,00	8459,00	9540,00	9077,00	7956,00	4145,00	3658,00
+ LT Debt	5740,00	6711,00	3555,00	4079,00	4064,00	856,00	1015,00	1188,00	894,00
Revenue	9227,00	9641,00	10271,00	10494,00	8671,00	8938,00	9882,00	8339,00	10058,00
EBIT	1625,00	1046,00	1127,00	935,00	652,00	1055,00	517,00	228,33	898,33
Number of Employees	3372,00	3453,00	3538,00	3614,00	3293,00	3030,00	2594,00	2361,00	2432,00
Diluted EPS, GAAP	0,87	0,08	0,10	0,16	0,00	0,13	0,05	-0,16	0,27
Dividends per Share	0,38	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Last Price	9,86	5,77	6,95	4,16	1,51	2,13	3,76	2,59	2,92
Return on Assets	5,20	0,00	0,87	1,39	-13,75	-0,72	-0,39	-5,17	4,05
Return on Common Equity	31,31	0,00	1,88	2,82	-28,64	-1,61	-0,84	-10,20	6,94
Profit Margin	8,34	0,98	2,52	2,09	5,59	-4,94	-0,10	-3,15	2,09
Divident Payout Ratio	42,95	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Debt to Equity	237,14	49,48	48,76	49,50	73,24	33,15	14,49	13,17	1,29

4.3. Novus Holdings

4.3.1. Overview of the target company

Novus Holdings, formerly known as Paarl Printing Company, was established in 1905, publishing its first issue of the bilingual Paarl Post Newspaper on 14 January 1905. Nico Retief Senior took the helm in July 1929, and in 1938, the business was purchased by the Retief family and remained a family business under directors Nico Retief, Niklaas Retief, and Roelof Malherbe. In 2000, the business became known as Paarl Printing Company, acquiring businesses such as National Book Printers in the early 2000s. The company was listed on the JSE in 2015, when it rebranded as Novus Holdings. Post-listing, it has made acquisitions in the packaging and labelling operations, such as ITB (flexible packing solutions) in October 2017. In 2019, the group consolidated all print entities under the Novus Print umbrella and continued to make more acquisitions in the media and publishing space, such as Famous Publishing and various media companies (Novus Holdings, n.d.). The company specialises in print, media, packaging, and tissue paper production, currently operating as a leader in South Africa and the continent.

In late 2017, Naspers unbundled its shareholding, and in April 2021, Naspers subsidiary Media24 Investments disposed of its 17.48% shareholding in Novus. (Hasenfuss, 2021). After the disinvestment of Media24, the company lost its printing contracts with Media24, effective April 2018. The impact of this loss was apparent in the company's financials for FY 2019.

By the time VCP came in, Novus had lost 88% of its value over five years and had been a consistent underperformer since its listing in 2015 (Hasenfuss, 2021). VCP took a 10% stake, followed by shareholders Caxton & CTP Publishing, who took an 8% stake to accelerate turnaround efforts at Novus. VCP made an initial stake in Novus on 26 September 2017 with 5.75%, and fund manager Allan Gray took a 5.0561% stake as per the company SENS (Novus Holdings Limited, 2017). On 22 December 2017, a SENS announcement by the company indicated that VCP had taken its holding to 10.72%.

4.3.2. **Event** study

This section analyses the impact of VCP's announcement of entry into Novus (NVS). If the market reacts favourably, the company's share price should rise following the announcement. Over time, this price increase may either be sustained or reversed, depending on the activist's success in driving company performance. The analysis was conducted using an event study, focusing on both short-term and long-term performance.

4.3.2.1 Short-term performance

The short-term impact of the campaign was evaluated by examining whether the event resulted in a significant abnormal return (AR) and cumulative abnormal return (CAR) during the period surrounding the announcement. To calculate the abnormal return, the normal return was first determined using the market model outlined in Equation 1.

The model's coefficients, alpha and beta, were estimated over an estimation window of 252 days before the event window. Alpha represents the intercept, while beta denotes the slope of the regression between NVS stock returns and the market index returns, with J203 representing the JSE All Share Index. The estimated values of these coefficients are shown in Table 9.

Table 9: Market model coefficients

Alpha	**-0.00151**
Beta	**0.34833**

After the coefficients of the market model had been estimated, the normal return of NVS was calculated for the event period (–20: +20). The abnormal return was determined by calculating the difference between the expected normal return and the actual share price return.

Table 10 shows the abnormal return and the results of the significance test for NVS.

Table 10: Abnormal return and results of the significance test for NVS

t	Ri (NVS)	Rm (JSE ALSI)	Normal Return	Abnormal Return	t-test (AR)
–20	0.1538	-0.0002	-0.0016	0.0061	0.1456
-19	0.0000	-0.0024	-0.0023	0.0267	0.6406
-18	0.0807	-0.0056	-0.0035	0.0187	0.4482
-17	0.0000	0.0068	0.0009	0.0141	0.3377
-16	-0.0067	-0.0004	-0.0016	0.0100	0.2414
-15	0.0067	-0.0035	-0.0027	0.0027	0.0659
-14	-0.0600	-0.0035	-0.0027	0.0444	1.0656
-13	0.0000	-0.0101	-0.0050	0.0390	0.9374
-12	-0.0355	0.0061	0.0006	-0.0238	-0.5722
-11	-0.0441	-0.0012	-0.0019	-0.0080	-0.1915

-10	0.0000	0.0010	-0.0012	0.0392	0.9414
-9	0.0292	0.0037	-0.0002	0.0040	0.0971
-8	0.0015	-0.0013	-0.0020	-0.0326	-0.7821
-7	-0.0149	-0.0030	-0.0025	0.0383	0.9204
-6	-0.0076	-0.0040	-0.0029	-0.0086	-0.2070
-5	0.0000	0.0057	0.0005	-0.0102	-0.2446
-4	-0.0840	-0.0012	-0.0019	0.0137	0.3286
-3	-0.0500	-0.0002	-0.0016	-0.0294	-0.7070
-2	0.0369	-0.0009	-0.0018	-0.0482	-1.1567
-1	0.0389	0.0004	-0.0014	-0.0618	-1.4845
0	-0.0114	-0.0129	-0.0060	0.0263	0.6306
1	0.0840	0.0004	-0.0014	-0.0075	-0.1792
2	-0.0061	-0.0034	-0.0027	0.0160	0.3847
3	-0.0015	0.0093	0.0017	-0.0806	-1.9371
4	0.0107	-0.0002	-0.0016	-0.0175	-0.4195
5	-0.0106	0.0070	0.0009	-0.0131	-0.3138
6	0.0031	0.0087	0.0015	-0.0801	-1.9251
7	0.0275	0.0032	-0.0004	0.0350	0.8418
8	0.0223	0.0049	0.0002	0.0075	0.1813
9	0.0538	0.0043	0.0000	-0.0716	-1.7200
10	-0.0014	0.0043	0.0000	0.0468	1.1248
11	0.0014	0.0047	0.0001	0.1051	2.5249
12	-0.0621	0.0022	-0.0007	0.0126	0.3036
13	0.0221	0.0028	-0.0005	0.0241	0.5778
14	0.0216	0.0039	-0.0002	0.0346	0.8312
15	-0.0141	-0.0065	-0.0038	0.0216	0.5183
16	0.0286	0.0051	0.0003	-0.0112	-0.2687
17	-0.0069	-0.0041	-0.0029	0.0890	2.1382
18	-0.0210	-0.0011	-0.0019	-0.0083	-0.1984
19	0.0000	0.0008	-0.0012	0.0074	0.1772
20	-0.0143	-0.0024	-0.0023	-0.0589	-1.4140

As may be seen in Table 10, the announcement day (t=0) was one of a few days in the whole event window in which the value of NVS stock varied significantly across the market. The stock return on that day was more than 2% higher than its expected value. From t+1, the stock price fell excessively from t+3 and t+9 at –8.06% and –7.16%, respectively. However, the share price rallied between t+10 and t+17 days of the window period. On t11 and t17 show statistically significant positive abnormal returns, which may suggest delayed market reactions post-announcement. However, there was no statistically significant reaction on Day 0, meaning no immediate abnormal return at the time of announcement.

Figure 9 shows the abnormal return and cumulative abnormal return on NVS over the (–20; +20) event window.

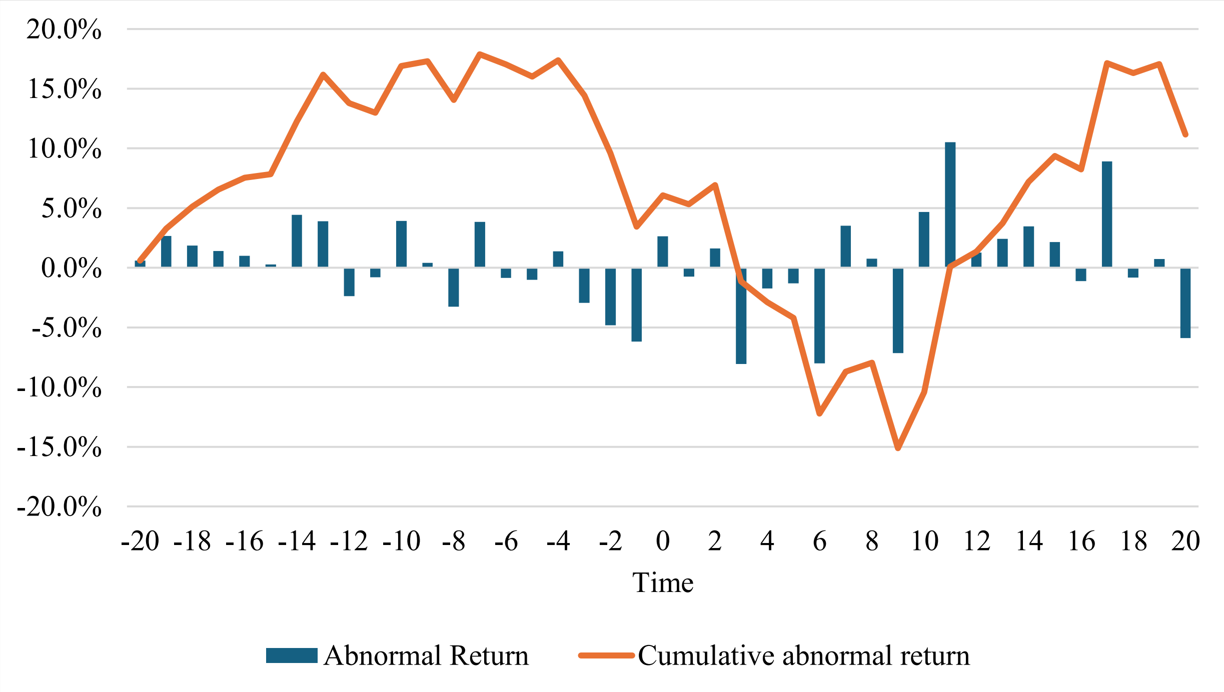

Figure 9: Abnormal return and cumulative abnormal return of NVS over the (–20; +20) event window

Before the announcement day, the cumulative abnormal return (CAR) line was already trending upward, particularly between days t–14 and t–4. As the announcement date approached, a slight lag was observed, followed by a downward trend. However, from t+9 onward, the CAR began to rise again. Consequently, the CAR curve maintained an overall upward trajectory, indicating a positive movement, although without significant abnormal returns.

Table 11 results for the three event windows show positive and statistically significant CARs, especially the short-term window (–1; +1) with a CAR of 4.93%, which is both large and significant, indicating the market reacted immediately and positively to the event. The longer windows reinforce the view that this positive abnormal return was sustained, not a temporary spike.

Table 11: Cumulative abnormal returns and results of the significance test

Interval	**CAR**	**t-test (CAR)**
(–20; +20)	6.76%	0.0000

(-10; +10)	5.12%	0.0375
(-1; +1)	4.93%	0.0032

4.3.2.2. *Long-term performance*

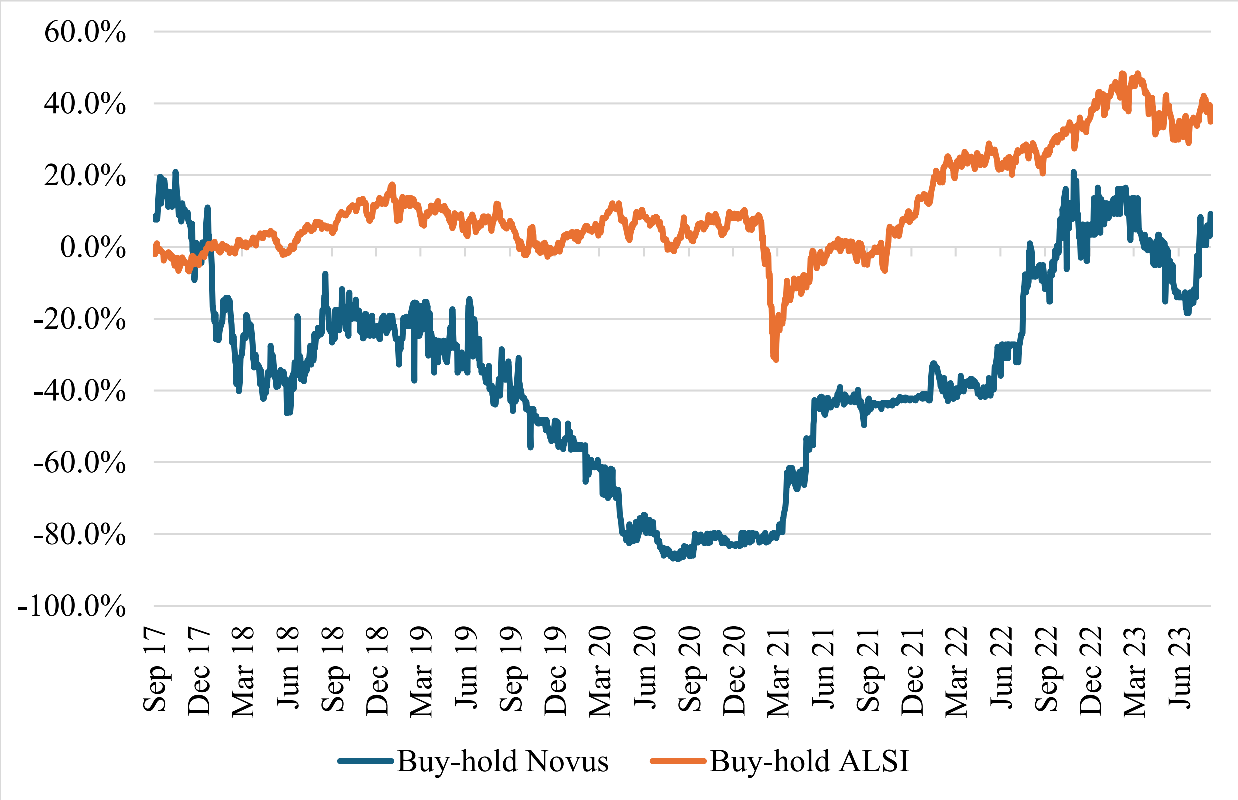

Figure 10: Buy-hold of NVS and ALSI from announcement until August 2023

To evaluate the long-term impact of VCP's entry in NVS, the buy-and-hold abnormal return (BHAR) was calculated, expressed by Equation 5. This method involved calculating the value of a hypothetical investment made in PPC at the event date subtracted by an investment in a matching benchmark (ALSI index) over the same period.

From the day VCP announced its entry in NVS (27 September 2017) until the exit date of 04 August 2023, a BHAR of –43.2% was reported. This value is illustrated in Figure 11 in the gap between the buy-hold NVS line and the buy-hold ALSI line on the last day of assessment (04 August 2023). In terms of long-term performance, the ALSI comfortably beat NVS, barring the earlier period of 2017. However, an assessment of the NVS in comparison with the sector benchmark shows a similar picture, barring the 2022–2023 period before the exit of the activist. Compared to the sector index (Industrials Index), the BHAR at the exit period was 14.38%.

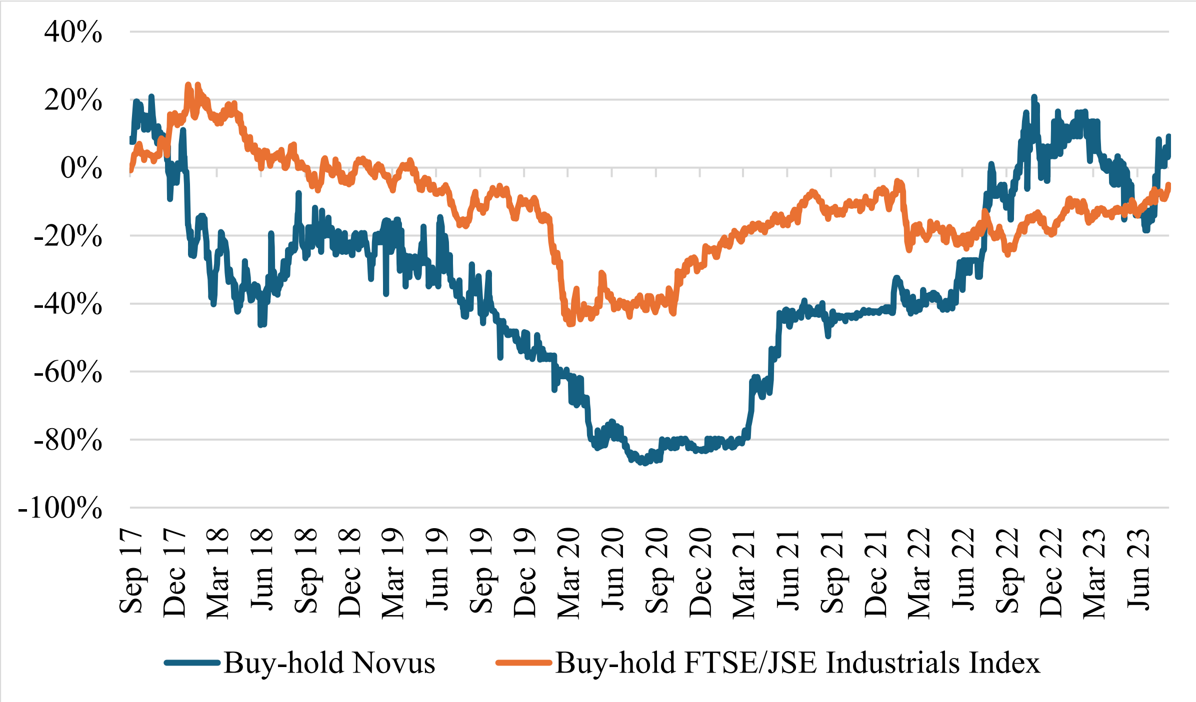

Figure 11: Buy-hold of NVS and FTSE/JSE Industrials Index from announcement until August 2023

4.3.3. The evolution of key financial figures

The analysis of Novus financial ratios and figures aimed to examine, first, the changes that occurred within the company during the period of the activist's involvement and, second, the sources of gains or losses for the activist. Table 12 presents Novus's financial results from 2017 to 2024, providing context for the company's performance throughout this timeframe. Unlike the previous activist campaigns, VCP exited Novus in August 2023; Figure 12 shows the entry price in 2017 and the exit price in late 2023. The key points below summarise the main findings from the analysis:

- The total value of assets in VCP's first financial year (FY 2018) increased to R 3774 m and ended at R 3397 m in the activist's last FY. Throughout the tenure, assets remained subdued, with no major increases until close to the end of the period. LT investments remained flat, with increases between FY 2019 and 2020 on the back of acquisitions, some of which were poorly performing (Business Day, 2019). As may be seen under "cash" in table 12, the company remained sufficiently healthy to make further acquisitions to create a consolidating market share in the media and publishing space. Pre-COVID, the group had made progress on the unwinding of its high net working capital balance, which resulted in the net debt position improving from R 153 m as of 31 March 2019 to a net cash position of R 32 m as of 31 March 2020, providing the business with a strong balance (Value Capital Partners 2019).

- In its interim results for September 2020, the financial impact of the pandemic may be seen, in that Novus's operating profits for the six months ending 30 September 2020 declined to a loss of R 9.2 m from a profit of R 146.1 m during the prior period. Positively, the cash balance in the business increased to R 245.1 m (relative to a market cap of R336 m), because of an increased focus on working capital optimisation (Value Capital Partners, 2021).
- Before the pandemic, revenue remained stable at above R 4000 m, but results for the FY after the 2020 pandemic showed a big drop. In FY 2021, there was an over-30% decline y-o-y, on the back of a loss in lucrative contracts and restructuring costs to the right side of the business. Pre-COVID, the value of the company has increased steadily, outside of the outlier periods of FY 2020 and FY 2023. In FY 2022 and 2023, revenue was on an upward trajectory.
- On the back of the above and as seen in table 12, the printing group had a better time in the market, more than doubling its figures (FY 2021, R1.7 vs FY 2020, R 0.60c). In the exit period for VCP, the share price reached a peak last seen in FY 2017.
- Return on assets (ROA) during the activist tenure was mixed. In its first FY results, ROA decreased from 7.0, while in the following year, FY 2019, ROA improved substantially. However, it dropped a year later to its lowest, at –10.3, improving gradually thereafter.
- Dividends and the return of some capital to shareholders were consistent, barring FY 2020, FY 2022, and FY 2023. As highlighted earlier, the rationale for withholding dividends was twofold: to allow the company to make acquisitions and to preserve liquidity within the business, particularly at the height of the pandemic. 2019 and 2021, Novus implemented open market buybacks this meant instead of paying a cash dividend, the company chose to buy back its own shares, effectively reducing the number of shares in issue and improving earnings per share (Integrated Annual Report, 2022).

- Market capitalisation saw a decrease from the peak of FY 2017; however, it showed an upward incline after FY 2022 on the back of a recovery period with acquisitions. This is notable, given an operating environment in which the use of paper has declined and in which headwinds were felt from disrupted supply chains caused by the Russia–Ukraine conflict.

For the previous two target campaigns, VCP remained invested. However, the shareholder activist exited its investment in August 2023. The active exit avenues yielded no clear insights, but as per the activist thesis, appropriate exit levels are always sought after key value unlocking initiatives have been achieved. As discussed above, Novus faced several headwinds during VCP's tenure, the last of these being the Ukraine war, resulting in supply chain disruptions, particularly for international paper, a key raw material for Novus. This resulted in the withholding dividends by the company in 2022 (Hasenfuss, Business Day, 2022). In addition to the above, print volumes declined as higher costs hit customers, negatively affecting Novus. As may be seen in the full-year results released in March 2023, the problems intensified as the rand collapsed, causing even higher imported paper prices. The potential for Novus to evolve away from print to a more balanced portfolio of assets is evident, as such a move would reduce overall volatility and risk. Although VCP stayed for the full duration of their set tenure, Novus was the first company that the activist exited. This tenure possibly exposed some of the challenges facing that the activist business model; for instance, the limited impact they intended to make and the even lower impact they actually made. In the months preceding VCP's exit, some of the larger fund managers who had acquired stakes after VCP's entry also decided to sell down their stake.

Figure 12 shows Novus's share price performance before VCP's investment and Table 12 shows the company's main financial figures and ratios from FY 2017 to FY 2024.

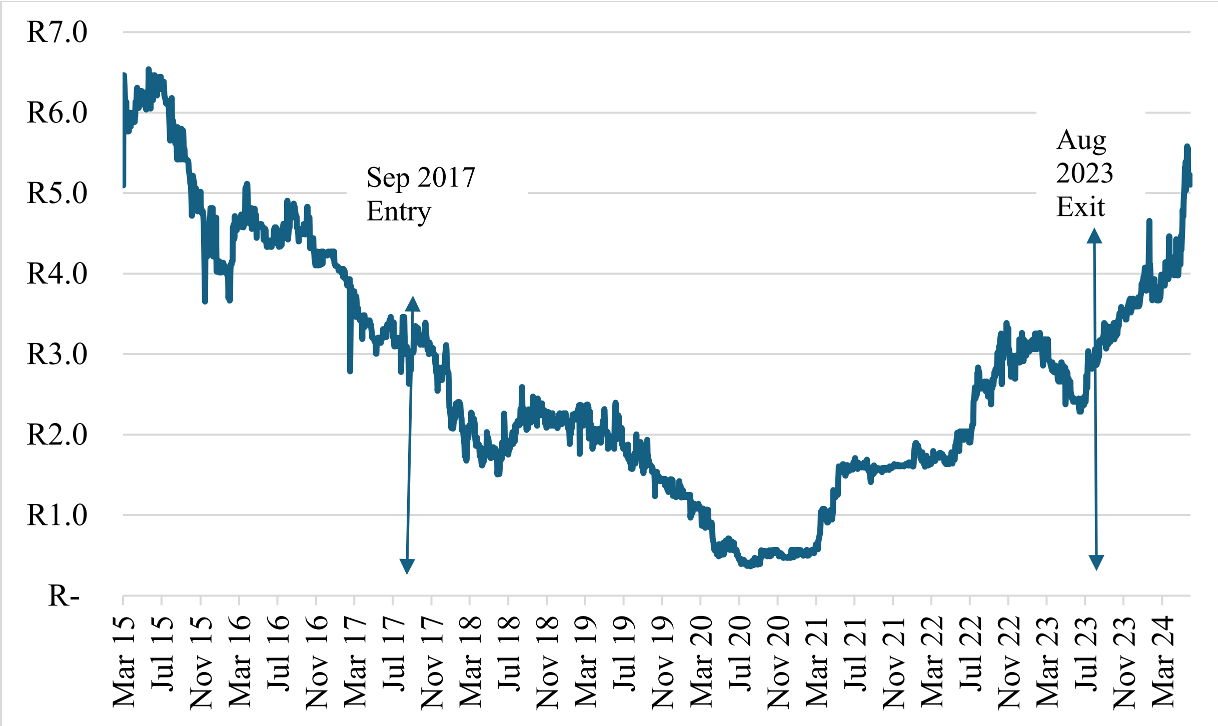

Figure 12: Share price performance before VCP investment

Table 12: Novus's main financial figures and ratios from 2017 to 2024

Novus Holdings Ltd (NVS SJ)								
In Millions of ZAR except Per Share	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
12 Months Ending	**03/31/2017**	**03/31/2018**	**03/31/2019**	**03/31/2020**	**03/31/2021**	**03/31/2022**	**03/31/2023**	**03/31/2024**
Total Assets	3599,6	3773,5	3719,2	2941,0	2743,6	2604,7	3397,1	3298,0
+ LT Investments			3,2	6,2	4,7	4,2	3,6	68,5
+ Cash, Cash Equivalents & STI	230,0	243,9	120,6	177,9	442,9	567,9	392,2	886,6
Equity Before Minority Interest	2882,8	2787,1	2670,6	2279,5	2207,5	2098,1	2169,9	2211,7
Total Liabilities	717,1	982,7	1045,8	658,7	536,2	506,7	1180,4	1052,2
+ LT Debt	0,0	0,0	0,0	0,0	0,0	0,0	0,0	326,8
Revenue	4312,5	4308,1	4331,8	4112,1	2837,9	3014,2	3195,6	3962,4
EBIT	528,8	500,7	293,5	142,7	-3,6	246,7	5,3	388,6
Number of Employees	2018,0	2344,0	2364,0		1624,0	1536,0	1536,0	
Diluted EPS, GAAP	0,8	0,2	0,6	-1,2	-0,1	0,3	0,2	0,6
Dividends per Share	0,6	0,5	0,3	0,0	0,5	0,0	0,0	5,0
Last Price	3,7	2,1	2,2	1,1	0,6	1,7	3,1	4,0
Return on Assets	7,0	1,9	4,6	-10,3	-0,8	3,5	2,0	7,2
Return on Common Equity	9,0	2,5	6,3	-13,9	-1,1	4,3	2,8	11,0
Profit Margin	8,2	7,6	4,2	1,6	-0,5	5,2	0,1	6,3
Divident Payout Ratio	75,7	256,5	60,6			0,0	0,0	709,3
Debt to Equity	-7,2	-6,9	2,6	-6,5	-18,9	-26,8	-3,0	-20,5
Market Capitalization	2969,7	1590,8	1459,4	658,6	388,3	707,2	1317,3	1496,3

4.4. Cashbuild

4.4.2. Overview of the target company

Cashbuild was established in South Africa 1978 as a building materials cash and carry wholesaler, predominately servicing the black South African market. It was founded by Albert Koopman as a wholly owned subsidiary of Metro Cash and Carry, a food and household products wholesaler operating under the Tradegro Group of Companies (Gilmour, 2022). The initial store opened in December 1978 in King Williams Town in the Eastern Cape. Thereafter, the company continued its growth with the opening of more stores under a new management team. In 1987 Koopman left Cashbuild (Bondi, 2015), but a year earlier, the company had listed on the JSE and has since gone on to become one of the largest retailers of building materials in Southern Africa, operating more than 300 stores in the region. Having been listed for over 38 years, the company remains a small cap on the bourse.

VCP took up an initial stake in Cashbuild on 23 September 2020 with a 5.28% holding (CashBuild Limited, 2020). The investment case was that the company was a reputable and well-established hardware retailer with a nationwide presence in South Africa, in both rural and metro areas. At the time of the investment, there was a pending acquisition of Pepkor’s The Building Company (TBC), with an opportunity to further grow the business and gain access to a portfolio of known brands across the retail and wholesale sector, reinforcing Cashbuild’s strong positioning in the market. However, this acquisition was later terminated as per a SENS announcement in August 2021 (Cashbuild Limited, 2021). In November and December 2020, there were management and board changes. In January 2022, VCP exited its investment in Cashbuild.

4.4.3. Event study

This section analyses the impact of VCP's entry announcement into Cashbuild (CSB). If the market reacts favourably, the company's share price should rise following the announcement. Over time, this price increase may either be sustained or reversed, depending on the activist's success in driving company performance. The analysis was conducted using an event study, focusing on both short-term and long-term performance.

4.4.3.1 Short-term performance

A study of the short-term impact of the campaign was performed by testing whether the event caused significant abnormal return (AR) and cumulative abnormal return (CAR) in the period surrounding the announcement day. To calculate the abnormal return, it was first necessary to calculate the normal return. The market model defined by Equation 1 was used to find the normal return.

The model's coefficients, alpha and beta, were estimated using an estimation window of 252 days preceding the event window. Alpha and beta are, respectively, the intercept and the slope of the regression between the CSB stock returns and the market index returns (J203 being the JSE All Share Index). Table 13 shows the estimated values of these coefficients.

Table 13: Market model coefficients

Alpha	**-0.00041**
Beta	**0.797728**

Once the coefficients of the market model had been estimated, it was possible to calculate the normal return of CSB during the event period (–20: +20). The abnormal return was determined by calculating the difference between the expected normal return and the actual share price return. Table 14 shows the value of abnormal returns and the results of the significant test for Cashbuild.

Table 14: Abnormal return and results of the significance test for Cashbuild (CSB)

t	Ri (CSB)	Rm (JSE ALSI)	Normal Return	Abnormal Return (AR)	t-test (AR)
–20	0.0062	0.0044	0.0031	0.0032	0.1294
-19	0.0300	0.0040	0.0028	0.0272	1.1104
-18	-0.0504	-0.0133	-0.0111	-0.0393	-1.6074
-17	-0.0533	-0.0154	-0.0127	-0.0406	-1.6596
-16	0.0390	0.0065	0.0048	0.0342	1.3990
-15	0.0223	-0.0036	-0.0033	0.0256	1.0453
-14	0.0125	-0.0195	-0.0160	0.0285	1.1635
-13	-0.0192	-0.0088	-0.0074	-0.0118	-0.4811
-12	0.0030	0.0094	0.0071	-0.0041	-0.1686
-11	0.0195	0.0072	0.0053	0.0142	0.5783
-10	-0.0158	0.0233	0.0182	-0.0340	-1.3874
-9	-0.0430	0.0125	0.0096	-0.0525	-2.1455
-8	0.0246	-0.0031	-0.0028	0.0274	1.1209

-7	0.0200	0.0010	0.0004	0.0196	0.8018
-6	0.0140	-0.0061	-0.0053	0.0192	0.7853
-5	-0.0015	-0.0021	-0.0020	0.0006	0.0241
-4	0.0037	-0.0132	-0.0109	0.0147	0.5995
-3	0.0077	-0.0097	-0.0081	0.0158	0.6465
-2	0.0010	-0.0275	-0.0224	0.0234	0.9551
-1	0.0182	0.0008	0.0002	0.0180	0.7363
0	0.0026	0.0119	0.0091	-0.0065	-0.2658
1	-0.0051	-0.0139	-0.0115	0.0064	0.2617
2	0.0428	0.0265	0.0207	0.0221	0.9017
3	0.0254	0.0009	0.0003	0.0250	1.0228
4	-0.0259	-0.0016	-0.0017	-0.0242	-0.9885
5	0.0167	0.0036	0.0025	0.0143	0.5833
6	0.0247	0.0015	0.0008	0.0240	0.9794
7	0.0067	0.0028	0.0018	0.0049	0.2006
8	0.0186	-0.0061	-0.0053	0.0238	0.9739
9	0.0138	0.0058	0.0042	0.0096	0.3931
10	0.0088	0.0016	0.0008	0.0080	0.3263
11	0.0064	0.0079	0.0059	0.0005	0.0197
12	-0.0016	0.0076	0.0056	-0.0072	-0.2953
13	-0.0114	-0.0133	-0.0110	-0.0004	-0.0152
14	-0.0021	0.0065	0.0048	-0.0069	-0.2813
15	0.0116	-0.0060	-0.0052	0.0168	0.6864
16	-0.0064	-0.0001	-0.0005	-0.0059	-0.2392
17	0.0064	0.0065	0.0048	0.0016	0.0651
18	-0.0293	0.0010	0.0004	-0.0297	-1.2138
19	0.0722	0.0071	0.0053	0.0670	2.7350
20	-0.0431	-0.0039	-0.0035	-0.0396	-1.6196

As may be seen in Table 14, the impact on return on the announcement day (t=0) was minimal. On t+2 and t+3, we see more substantial price movement, with the price increasing by over 2%. On t-9 significant negative abnormal return before the event, suggesting possible early leakage of information or market speculation. Whilst on t19 significant positive abnormal return post-event, indicating a strong delayed reaction or new information reaffirming investor confidence. However, on t0 there was no significant abnormal return, suggesting the market did not immediately react on the event day. We may conclude that reaction to the announcement concerning VCP's stake in the company was minimal.

Figure 13 shows abnormal return and cumulative abnormal return for CSB over the (–20; +20) event window.

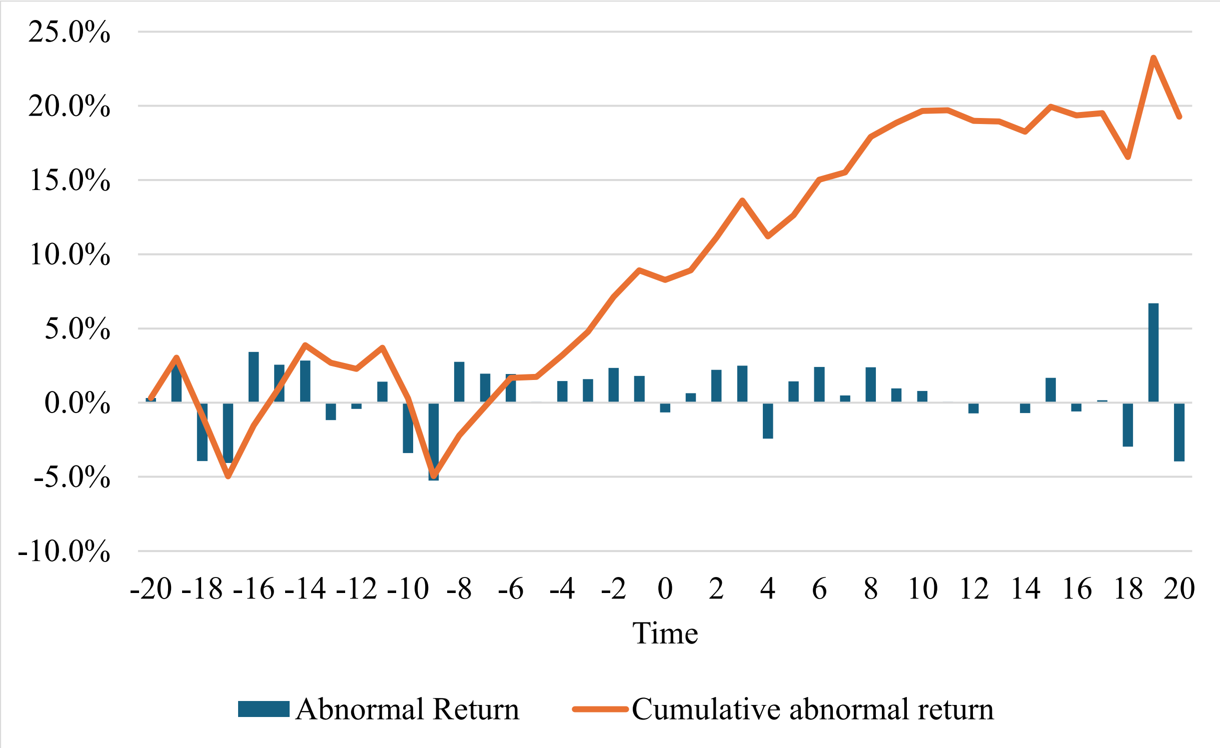

Figure 13: Abnormal return and cumulative abnormal return of CSB over the (–20; +20) event window

The cumulative abnormal return line after the announcement shows an upward trajectory, mostly owing to the incremental jumps that occurred during the abnormal return post-announcement day. Intervals only before or only after the event do not reveal a CAR significantly different from zero. The other intervals with CARs are significantly different from zero; they include t–18, t–9, and post-announcement day, t+19. The impact caused by the event is mostly concentrated in these periods.

Table 15 showcases how strong, positive, and statistically significant CARs, with a (–1; +1) window, already captures the majority of the effect (8.70%), suggesting a clear and immediate market reaction to the event. The strength of the response persists across the other two windows, indicating a sustained and favourable investor sentiment.

Table 15: Cumulative abnormal returns and results of the significance test for CSB

Interval	CAR	t-test (CAR)

(–20; +20)	9.18%	0.0000
(-10; +10)	8.04%	0.0004
(-1; +1)	8.70%	0.0002

4.4.3.2 Long-term performance

Figure 14 shows the buy-hold of CSB and ALSI from announcement until January 2022.

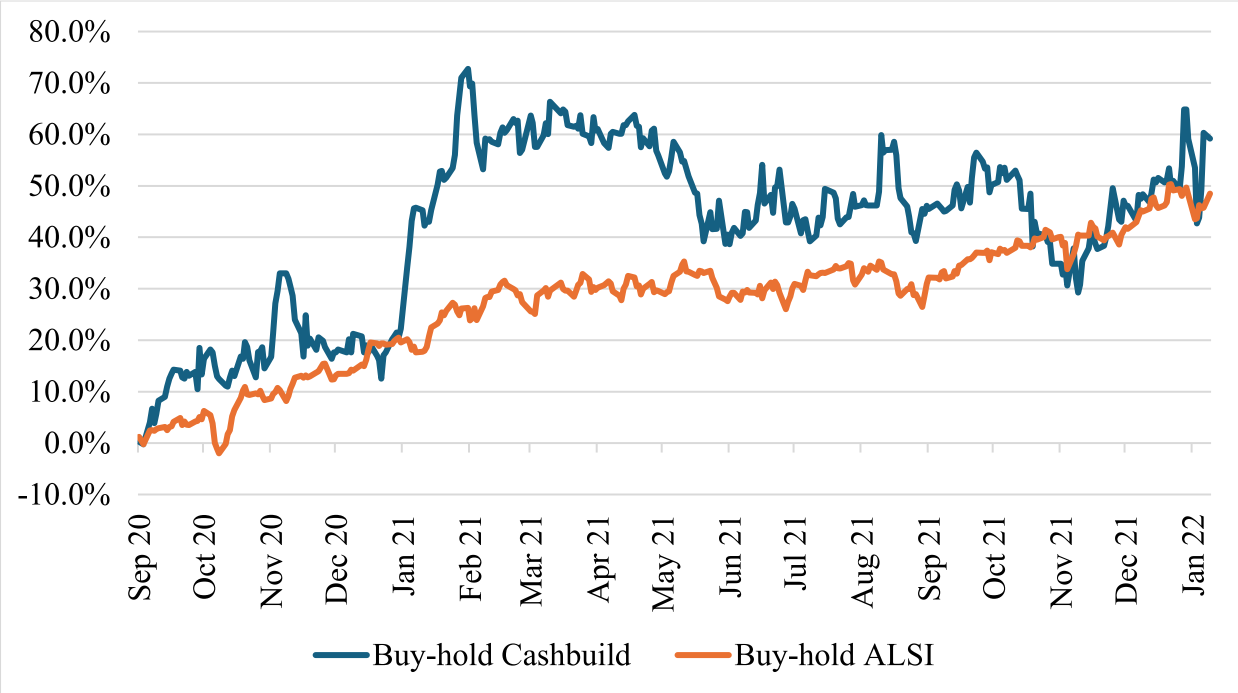

Figure 14: Buy-hold of CSB and ALSI from announcement until January 2022

To evaluate the long-term impact of VCP's entry into CSB, the buy-and-hold abnormal return (BHAR) was used, expressed by Equation 5. This method involved calculating the value of a hypothetical investment made in CSB at the event date, subtracted by an investment in a matching benchmark (ALSI index) over the same period.

From the day VCP announced its entry into CSB (23 September 2020) until the exit date of 25 January 2022, a BHAR of 10.73% was reported. This value is illustrated in Figure 14 as the gap between the buy-hold CSB line and the buy-hold ALSI line on the last day of assessment (25 January 2022).

Unlike the other target companies, the activist investment in CSB for the duration of investment handsomely outperformed the ALSI. As shown in Figure 14, an assessment of CBS against the sector index reveals a similar picture, barring a short period in 2021 when the sector fared better. However, this was a marginal period.

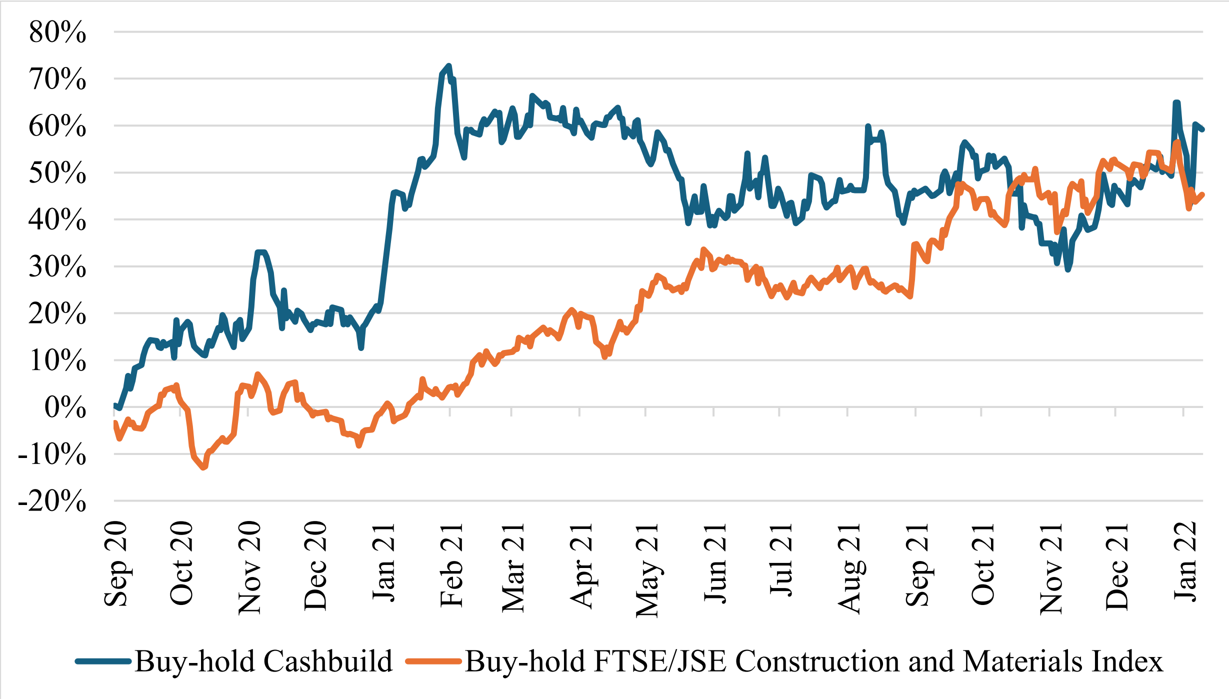

Figure 14: Buy-hold of CSB and FTSE/JSE Construction and Materials Index from the announcement until January 2022

4.4.4. The evolution of key financial figures

The analysis of Cashbuild's financial ratios and figures aimed to examine, first, the changes that occurred within the company during the period of the activist's involvement and, second, the sources of gains or losses for the activist. Table 12 presents Cashbuild's financial results from 2020 to 2024, providing context for the company's performance throughout this timeframe. VCP exited Cashbuild in January 2023; Figure 15 shows the entry price in 2020 and the exit price in early 2023. The key points below summarise the main findings from the analysis:

- Total assets peaked in FY 2021 at R 7,332 million, followed by a decline over the next two years, dropping to R 6,273 million by FY 2023. The increase in ROA could have been on the back of Cashbuild's increased sales or profit without any significant additions to its asset base. Revenue boost from pandemic-related demand (the pandemic having seen a home improvement surge) enabled Cashbuild to increase net income without heavily investing in new assets, resulting in higher ROA. There was a decline in ROA as economic conditions normalised or worsened. ROA can decrease if profit margins shrink while asset levels remain the same or grow. Cashbuild experienced higher costs or declining demand after the peak in FY 2021; net income might have dropped, reducing ROA.

- Revenue also reached its highest point in FY 2021 at R 12, 616 million, but then declined, returning closer to FY 2020 levels by FY 2023. Despite the lack of trading during the lockdown of April 2020, revenue for the 12 months to June 2020 was only 7% down on the prior year. Cashbuild subsequently achieved record revenue in the nine months ending 31 March 2021, at 20% higher than the previous year's revenue. During the pandemic, demand for home improvement and DIY projects surged as people spent more time at home, driving higher sales for companies in the building materials sector. Cashbuild benefited from this trend, leading to a revenue peak in FY 2021 (Cashbuild Limited, 2021).
- There was a subsequent decline in FY 2022 and FY 2023. As the initial pandemic-driven demand wave receded, consumer spending on home improvement normalised and decreased owing to rising inflation, higher interest rates, and economic uncertainties. These conditions made consumers more cautious about spending on non-essential renovations, leading to lower revenue.
- As a small cap and growth company, Cashbuild paid dividends in all respective years during the period under review. FY 2021 saw the highest payout, also indicated in the dividend payout ratio of 110.3 in the same period. The building materials retailer paid out all its annual profits to shareholders in that period, equating to R 665 m (Gernetzky, 2021). With the TBC acquisition having fallen away after being blocked by the South African competition authorities, the company opted to pay out dividends, reflecting good performance in the financial period.
- As may be seen on Figure 15, on the back of the above results, the company's share price rallied, almost doubling the FY2021 price. The share process peaked further in FY 2022 and contracted back to below R 200 per share in FY 2023 on the back of reduced demand, rising costs, inflationary pressures on consumers, and changing consumer demands during this tenure.

- This is further seen in the market capitalisation in FY 2021 and 2022 and the large drop to R 3,896 m.

Cashbuild became VCP's eighth target company in 2020, during the peak of the pandemic, when stores were just beginning to reopen following the strict lockdown measures implemented in April 2020. Despite these challenges, Cashbuild reported a 20% increase in revenue for the nine months ending March 2021 compared to the previous year. The demand experienced during this period, driven by post-lockdown recovery, enabled the company to show remarkable resilience.

In the 12 months ending June 2021, the company achieved record performance, with revenue rising by 25% and EBITDA by 60%. However, for the quarter ending 30 September 2021, the top line declined by only 4% year-on-year, excluding the one-time impact of the July 2021 looting in South Africa, which affected 36 of the group's stores (Value Capital Partners, 2021).

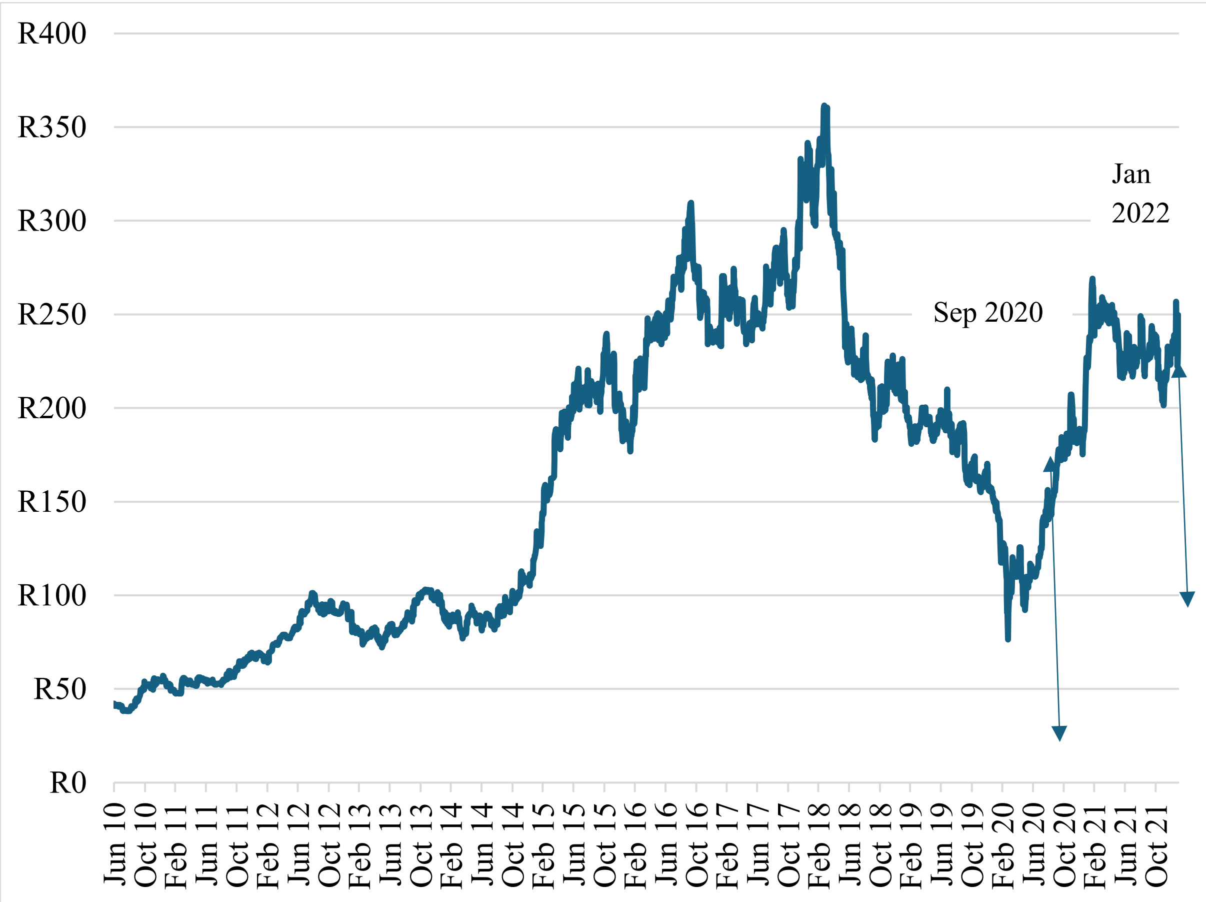

Figure 15: Share price performance before VCP investment

Table 12: Main financial figures and ratios for Cashbuild from 2017 to 2024

Cashbuild Ltd (CSB SJ)					
In Millions of ZAR except Per Share	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**
12 Months Ending	**06/28/2020**	**06/27/2021**	**06/26/2022**	**06/25/2023**	**06/30/2024**
Total Assets	6345.6	7331.9	6636.5	6272.9	5594.3
+ LT Investments					
+ Cash, Cash Equivalents & STI	1951.6	2546.4	1938.6	1582.2	998.8
Equity Before Minority Interest	2116.6	2551.9	2336.6	1928.4	1816.6
Total Liabilities	4190.6	4744.0	4271.5	4317.4	3761.9
+ LT Debt	1432.6	1467.7	1379.7	1346.5	1224.9
Revenue	10090.9	12615.6	11145.1	10653.2	11191.7
EBIT	508.2	1017.7	884.4	639.0	189.3
Number of Employees	6213.0	6238.0	6170.0	6046.0	5472.0
Diluted EPS, GAAP	11.8	26.6	19.0	4.6	4.0
Dividends per Share	7.1	29.4	12.6	7.3	5.6
Last Price	110.0	217.8	229.8	153.6	151.6
Return on Assets	5.2	9.7	6.8	1.6	1.5
Return on Common Equity	12.5	28.5	19.4	5.0	4.7
Profit Margin	2.6	5.2	4.3	3.8	1.9
Divident Payout Ratio	66.1	110.3	66.7	164.5	150.0
Debt to Equity	-15.6	-33.9	-13.8	0.9	28.1
Market Capitalization	3548.6	6771.8	6433.4	3895.8	3644.5

4.5. African Phoenix (delisting)

4.5.2. Overview of target company

African Phoenix arose from the resurrected African Bank Investments Ltd (ABIL), minus the bank. It was renamed in September 2016 after the banking licence was revoked. Shares resumed trade in February 2017 following an almost 2.5-year suspension triggered by the curatorship of Abil's largest subsidiary, African Bank. African Phoenix came out as an investment holding company with no ties to African Bank or its chain of retail outlets. Instead, it owned two fully impaired assets, Ellerine Holdings and Residual Debt Services (the "bad" bank), as well as a small life insurance company, Stangen (Ziady, 2017).

VCP made its initial investment in African Phoenix in June 2017. Thereafter, the VCP investment professional was appointed non-executive director in September 2019, replacing prior VCP personnel who had been appointed in June 2019. In August 2019, the VCP sold its approximately 16% shares, and the appointed VCP non-executive resigned (Hedley, 2019).

Unfortunately, an analysis of the company is not possible owing to the many moving parts that the business underwent after coming out of ABIL. It was further delisted on the JSE in June 2020.

5. Conclusion

This study has examined four campaigns of VCP, the only hedge fund activist in South Africa, focusing on Altron, PPC, Novus, and Cashbuild. An event study was conducted to determine whether VCP's involvement had a positive influence on these companies, followed by an analysis of key financial indicators and ratios to identify significant performance changes in the four companies.

The findings indicate that VCP achieved relatively positive outcomes across all four campaigns, with powerful results reported in its current investments in Altron and PPC. Among the target campaigns, Altron demonstrated the most significant improvement, showing robust growth in share price, financial indicators, and ratios. PPC also showed signs of recovery, with recent results suggesting potential for further progress.

In contrast, the results for Novus and Cashbuild were more mixed. Cashbuild struggled with challenges such as regulatory approval issues and Novus struggled with the loss of lucrative contracts, leading to underperformance relative to the market. However, Cashbuild managed to outperform the market in the long term, demonstrating considerable improvement. In both exit campaigns, VCP was able to exit at higher prices than those that prevailed at their entry points.

5.1. Limitations

This study of the campaigns of Value Capital Partners (VCP) in four target companies in South Africa using an event study methodology had several limitations:

Market conditions. The study's findings could have been influenced by overall market conditions, which vary significantly over time. External economic factors and market trends could well have impacted stock prices independently of VCP's actions (for example, the COVID-19 pandemic). The reliance on only existing global hedge fund activism literature, such as Silva (2019) and Brav (2008), means that the study may have inherited developed market assumptions that do not cater for a developing country such as South Africa. In recognition of the absence of literature on the phenomenon in the South African landscape, these results and findings necessitate further research in the space.

Benchmark selection: The choice of benchmark indices (FTSE/JSE All Share Index) may not have perfectly matched the characteristics of some of the target companies, as a number of the target companies are mid- to small-cap counters. Thus sector-specific benchmarks for the campaigns were also assessed to try to make up for this particular limitation of using the ALSI.

Short-term focus. While the study includes both short-term and long-term impacts, short-term price movements may not fully capture the long-term effects of VCP's actions on company performance, particularly in target companies such as Tiger Brands, in whom the firm has only recently built up a stake (from 2022).

Scope of analysis. The study focused on South African companies, which may limit the generalisability of the findings to other regions or markets with different regulatory environments and market dynamics. Furthermore, VCP is the only shareholder activist in South Africa and has been active for just under eight years, limiting the study's scope to a single firm. In contrast, regions like the US and Europe have a wider range of hedge fund activists, including Elliott Management, Cevian Capital, and Carl Icahn, among others, who target companies in these regions with substantial investments.

Lack of exit strategy overview. Lastly, an obstacle in conducting an assessment of the exit targets was not having a full overview of the exit strategies. Exits such as African Phoenix occurred on the back of its delisting on the JSE. However, some of the details of the other exits, such as that of Novus and Cashbuild, were not very clear.

Lastly, non-parametric tests could have been used in the event study as an alternative. It was assumed that the data followed a normal distribution, but no tests were provided to confirm this.

5.2. Areas of future research

In this research, the focus was on six target companies: three current holdings and three exits. Future research could include the remaining target companies as more data becomes available, enabling a clearer assessment of long-term outcomes. Considering the ongoing trend of delisting on the JSE, future studies might also explore how business models like shareholder activism could help curb the delisting trend, particularly in the mid- to small-cap sector of the JSE. As highlighted earlier, some target companies in which VCP invested during the short term were subsequently delisted. Given the resource-intensive nature of shareholder activism, the question arises of whether more fund managers should adopt this model rather than following the more traditional long-term-only strategies prevalent in South Africa.

The discussion raises several key issues for different stakeholder groups. For academia, research opportunities about the delisting trend on the JSE and the effectiveness of shareholder activism provide a rich field for further research. Studies could explore the impact of delisting on market efficiency, capital accessibility, and economic growth, particularly in the mid- to small-cap sector. The trend of delisting could lead to reduced competition in the public market, affecting access to capital and investor confidence. Firms might need to explore private equity or alternative funding strategies to sustain operations and growth.

Policymakers could assess and address these factors to improve the appeal of public listings. Encouraging shareholder activism might require a more supportive legal and governance framework. This could include strengthening minority shareholder protection, enhancing corporate governance standards, and/or incentivising transparency. In addition, policymakers may need to reevaluate existing regulations that impose heavy compliance burdens on listed companies. Simplifying these requirements could make it more attractive for firms to remain listed on the JSE, thus reducing the delisting trend (Pask, 2024).

Lastly, stakeholder groups could benefit from increased collaboration to address systemic issues contributing to delisting, such as economic policy, market dynamics, and corporate governance. The multifaceted nature of the topic highlights the interconnected nature of the challenges and opportunities related to delisting and shareholder activism on the JSE.

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