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The Morning Risk Report: Activists Targeting Media Cos

Mara Lemos Stein

Media companies are renowned for their entrenched ownership structures, but that doesn't seem to be discouraging activists from targeting them.

Activist investors are increasingly training their sights on media and content generators, with a total of 27 media companies globally being targeted last year, compared with 22 in 2014 and 13 in 2013, according to data released this week by information service Activist Insight. "A lot of the media companies have protections for their owners to maintain control, such as dual class stock [ownership], but that hasn't stopped activists in the past," said Douglas K. Chia, executive director at the governance center of the Conference Board. And that issue isn't likely to go away. Despite the criticism that this type of governance structure attracts, the new breed of information companies such as Google Inc. and Facebook Inc. try to build in takeover protection in their ownership structure before going public, said Mr. Chia.

Although much of the activism has centered on demands for change at the boards—37% of all activist requests, according to the data—the spike in the agitation in the sector has more to do with investors seeking to “unlock value,” as the parlance goes. Indeed, activists are finding that some media and content companies are generally undervalued as they are slow to respond to the big shifts in the industry. The way people consume media is rapidly changing, and not all companies are keeping up pace; those that aren't seem to be attracting the attention of activists, said Abhijeet Shekdar, a managing director at the valuation consulting practice of PwC. “Everybody is trying to figure out the best way to monetize content,” said Mr. Shekdar. And a lot of that has to begin by tackling management behavior and challenging strategic thinking at board level. The latest example of this type of activism is Yahoo Inc., which last week was hit with a proposal by Starboard Value LP to replace all of its board members with the investor's own slate of nominees. “It's never harmful to have these conversations,” said Mr. Shekdar. “At the end of the day, it's all about a shared value proposition.”

CROs take on a bigger role. As financial firms take a broader view of risk, the role of the chief risk officer is growing too, with CROs now expected to bring strategic thinking and leadership to the job, atop the strong technical expertise that's always been an important part of the job.

Vimpelcom **racks up costs.** Vimpelcom Ltd. expects to pay \$105 million in legal fees for the resolution of its Foreign Corrupt Practices Act case with the U.S. government, the company said in a securities filing Thursday.

U.S. targets terrorist-financing. The U.S. Department of Treasury said it and Saudi Arabia jointly placed sanctions on four individuals and two organizations they linked to al Qaeda, the Taliban and Lashkar-e-Tayyiba.

COMPLIANCE

[White warns on startup valuations](#). The chairman of the Securities and Exchange Commission fired a warning shot at Silicon Valley on Thursday, cautioning the tech community against playing fast and loose with valuations and urging it to channel more information to investors devouring its latest innovations such as online loans, the WSJ reports. Speaking at Stanford University, a cradle of high-tech invention, Mary Jo White called on richly valued private firms to behave more like public companies that must use a web of checks and balances to guard against misleading investors about their value or performance.

[Iran nears access to dollars](#). The Obama administration is preparing to give Iran limited access to U.S. dollars as part of looser sanctions on Tehran, according to congressional staff members and a former American official briefed on the plans, the WSJ reports. The Treasury is considering how to issue licenses to offshore dollar clearing houses for specific Iranian financial institutions, an approach that wouldn't require the involvement of American banks, according to the congressional officials. The clearing houses, likely involving select foreign banks, would conduct the dollar transactions instead, shielding the U.S. financial system from any direct contact with Iran, these officials said.

[U.S. looks at bank dealings with 1MDB](#). U.S. Department of Justice officials have asked Deutsche Bank AG and JP Morgan Chase & Co. to report on dealings with 1MDB, Reuters reports. Officials said neither bank was the target of an investigation.

[Australia probes companies over bribery](#). The Australian Federal Police said it is investigating several Australian companies over bribery in light of allegations of foreign bribery by Monaco-based firm Unaoil, The Guardian reports. Those allegations were aired in stories earlier this week by Fairfax Media and the Huffington Post. Unaoil has denied the allegations.

DATA SECURITY

[FBI widens phone access tests](#). The Federal Bureau of Investigation is testing the method used to crack a terrorist's iPhone to see how many other versions of the device it could open, but it could take officials many more months to decide what to do with their newfound ability, the WSJ reports. Apple hasn't identified the security flaw that let the FBI access the iPhone 5C of Rizwan Farook, or determined how many of its other devices might be vulnerable. The 5C wasn't a particularly big seller for Apple, limiting the technique's value unless it works on other models. Still, it could have consequences for the broader debate between Washington and Silicon Valley over encryption, privacy, and security.

[Egypt blocked Facebook last year](#). Facebook Inc.'s Free Basics Internet service was blocked by Egypt at the end of last year after the company wouldn't enable the Egyptian government to spy on users, Reuters reports.

GOVERNANCE

[Fintech company puts Bair on board](#). Online lender Avant Inc. said Friday that it appointed former Federal Deposit Insurance Corp. Chairman Sheila Bair to its board, the latest indication that financial-technology startups are preparing for more attention from regulators, the WSJ reports. Ms. Bair, currently president of Washington College in Chestertown, Md., led the FDIC during the financial crisis and became a forceful critic of big U.S. banks. While in government, she successfully pushed for powers that would enable the FDIC to police and take over sprawling financial institutions.

First Data [CEO paid \\$51 million](#). First Data Corp. Chief Executive Frank Bisignano was paid \$51.6 million in 2015, Bloomberg reports. Mr. Bisignano's compensation was comprised of more than \$44 million in stock and option awards, a \$1.5 million salary and a \$5 million cash bonus. The company said the bonus was a retention award connected to its 2015 initial public offering.

REPUTATION

Theranos [machines failed accuracy test](#). The blood-testing devices that Theranos Inc. touted as revolutionary often failed to meet the company's own accuracy requirements for a range of tests, including one to help detect cancer, according to a federal inspection report, the WSJ reports. The findings include the first outside glimpse of the performance records Theranos compiled for its proprietary blood-testing devices, code-named Edison. The technology was the main basis for the \$9 billion valuation attained by Theranos in a funding round in 2014.

RISK

Judge allows Uber [price-fixing suit](#). A federal judge on Thursday refused to throw out a purported class-action lawsuit against Uber Technologies Inc.'s chief executive alleging he conspired with drivers to fix prices for the ride-hailing service, the WSJ reports. In a complaint filed last December, an Uber passenger claimed CEO Travis Kalanick schemed to use the company's software to control the prices in favor of drivers, amounting to a price-fixing conspiracy that violates antitrust laws.

OPERATIONS

[Tech visas to meet strong demand](#). As the presidential race has thrust immigration and job displacement center stage, demand for foreign skilled-worker visas coveted by tech companies is expected to far outstrip supply again this year, likely prompting the government to hold a lottery, the WSJ reports. U.S. Citizenship and Immigration Services, the federal agency that oversees the H-1B visa program, begins accepting applications Friday for fiscal 2017.