

Hain Celestial Group: Working with Activist Investors (B)¹

Simon was being pulled in two directions. Some of Simon's advisors suggested he prepare for a battle prior to their initial meeting while they could game plan for different scenarios and thwart Icahn's activism. Some said he should take a more conciliatory tone, ensuring Icahn did not end up as an enemy. Others wanted Simon to bring lawyers and advisors to the meeting.

Simon eventually met Icahn for dinner—alone—at the investor's Park Avenue apartment in New York. Icahn had concerns about Hain Celestial's costs, but he was optimistic about the natural-foods industry. For his part, Simon opted for the conciliatory tone suggested by some of his advisors and eventually granted Icahn two seats on the company's board. He also gave Icahn a position on the executive compensation committee.

These relationships were proved to be positive and fruitful. They met at least three times a year for dinner to discuss strategy. Simon sought advice on acquisitions from Icahn. "I think he had a positive," Icahn told The Wall Street Journal, adding the CEO was adept at meeting concerns and finding acquisition targets.

The relationship did have its tensions. Icahn habitually phoned Simon late at night, prodded for lower costs, and suggested more than once that Simon should sell Hain Celestial. Simon grew naturally reticent.

Icahn was active on the executive compensation committee. He suggested Simon seek awards packages based primarily on company share. When Hain Celestial negotiated a new CEO compensation agreement in 2012, Simon opted for a smaller one-time lot of restricted stock with performance and loss thresholds over a yearly stock options grant.

Despite their positive working relationship, Simon said he knew Icahn's goodwill was stock-price dependent. If he didn't perform, the dynamic could go downhill.

Hain's revenue continued to grow. The company reported \$140 million in profits for FY 2014, 100% growth over 2013. And Icahn's per share, 2014, declined to 16.7% of total revenue from 18.8% the year before he arrived.

Icahn sold his shares in Hain Celestial in October 2015. They were worth four times the amount he'd paid for them, and estimates suggest he made more than \$40 million on the deal—in no small part due to the way he and Simon managed their relationship.

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