Atlantic Files Two 13Ds, Takes Second Look at Owens-Illinois

May 14, 2014 Stephen Taub

Alexander Roepers's low-key, occasional activist firm is suddenly surprisingly busy.

Tuesday was a busy day for Alexander Roepers.

His New York–based Atlantic Investment Management filed a 13D on two separate companies. The moves were especially significant, given that the low-key, sometimes activist firm had not filed a new 13D since September 2012.

Atlantic said it owns 5.3 percent of Owens-Illinois, a U.S. manufacturer of glass containers, and 5.4 percent of Triumph Group, a supplier of aerospace components and systems.

Both filings used similar boilerplate indicating that Atlantic currently holds the stocks "for investment purposes" but "will continue its active discussions" with management. It also made it clear it currently has no present plans or proposals for the companies.

In the case of Owens-Illinois, this is a return to a previous activist position. A year ago Atlantic cut its stake below 5 percent for roughly $27 to $28 per share.

Atlantic said in Tuesday's filing that on April 1 and April 2, it sold more than 500,000 shares for about $34 per share. Since April 30 it has bought more than 1.2 million shares for between $31.12 and $32.41 per share.

In its year-end letter to clients, obtained by *Alpha*, Atlantic singled out Owens-Illinois's stock among a handful of activist stakes that were large contributors to its 2013 performance.

Although Roepers launched his firm in 1988, he is not as well known as Trian Partners' Nelson Peltz, Pershing Square Capital Management's William Ackman, Jana Partners' Barry Rosenstein or Third Point's Daniel Loeb, not to mention other activists who have recently raised their profiles, including ValueAct Capital's Jeffrey Ubben and Starboard Value's Jeffrey Smith.

One reason is that Roepers manages only about $2.1 billion.

Also, earlier this year we pointed out that Atlantic takes a kinder, gentler approach to shareholder activism. Roepers, who does not seek board seats and is not known for firing off scathing letters to management or debating foes on television, calls his style "constructive shareholder activism."

"Our brand of activism includes providing management teams and boards of directors with customized written proposals to enhance and accelerate shareholder value creation," Roepers explained in his year-end report. "We do this in a respectful but assertive manner with compelling, tailored, win-win solutions for management and shareholders alike."

Roepers added that the hedge fund firm works behind the scenes, allowing management to take credit for improved share performance "triggered by our proposals." He explained that his team brings its case to independent board members when it is appropriate and "selectively discusses" its theses in public forums and the financial media.

Last year the firm had one of its best years in its 25-year history. The Cambrian Fund, a long-only activist fund that invests in just six or seven stocks and is Atlantic's largest fund, jumped 38.3 percent, while the firm's four smaller funds posted gains of at least 20 percent each. That includes Atlantic's new, small Cambrian Japan fund, which rose 42.9 percent in its first year, according to the firm's year-end report.

Atlantic's U.S. equity long-short fund, AJR/Quest, rose 20.3 percent despite an average net exposure of 41 percent. The two-year-old Cambrian Global, whose portfolio of 20 stocks includes Atlantic's highest-conviction investments from the U.S., Europe and Japan, rose 28.8 percent.

Among the activist stakes that were large contributors to 2013 performance were Atos, Baker-Hughes, Harmon International, Oil States International — a popular stock among a number of high-profile activists — Owens-Illinois and Rockwood Holdings.

Last week Credit Suisse reiterated its Neutral rating on the shares of Owens-Illinois, noting its results were "mixed" in the first quarter. "Strong volume performance in Europe helped margins in the regions," Credit Suisse said in a clent note to clients dated May 9. "However, this was offset by high costs elsewhere, despite better volumes, leaving group operating slightly light vs. our expectations."

On the same day, Credit Suisse trimmed its price target on Triumph to $71 from $73 and maintained its Neutral rating, citing what it called a "messy" fiscal fourth quarter, when earnings beat expectations but revenues missed.

Interestingly, as recently as April 16, 2013, Credit Suisse had raised its price target on the stock to $98. It has cut this target six times since then.

However, the bank is excited that the company boosted its stock buyback plan, which currently calls for repurchasing about 10 percent of the stock's float.

Owens-Illinois just might wind up expanding that buyback when it is finished talking to Roepers. Chances are the public won't know about this until a decision is made.