

The Rise of Anti-Activist Poison Pills

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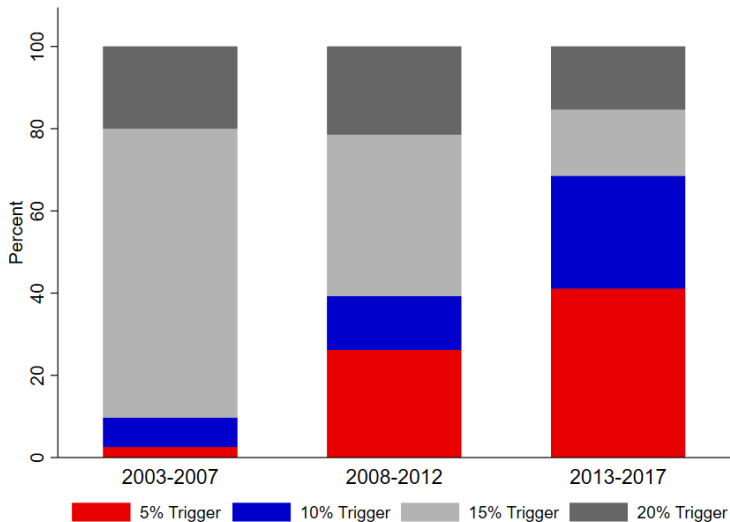
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 - *Acting in concert*: aggregate the ownership stakes of acquirers
- Policy: a recent Delaware case, *Williams Companies*, held that pills against a general threat of activism are illegitimate

The Evolution of Pills - Trigger Thresholds



Research Objectives

- Document systematically the contractual innovation in the terms of poison pills
- Examine the extent to which pills are adopted in response to hedge fund activism
- Test whether poison pills constrain activists' attempts to influence firm policy
- Assessing legal policy on anti-activist pills
- Consider the equilibrium effect of pills on activists' engagement (work-in-progress)

Outline of the Paper

Data:

- Systematically document contractual innovation in the terms of poison pills from 2003-2017
- Develop a proxy for “activism threat” based on the number of hedge funds’ clicks on SEC disclosure documents

Main findings:

- Poison pills are significantly more likely to be adopted following an increase in hedge fund clicks on firms’ filings
- The association between pill adoptions and clicks is driven by pills that have design features that target hedge funds
- A firm is less likely to be a target in a 13D filing by a hedge fund when it adopts a poison pill
- The results are driven in part by NOL pills that have a 5% trigger

Can Pills Truly Affect Activism?

There are reasons to question whether pills can curb stock accumulations by activist hedge funds:

- ① Ownership threshold triggers are too high
- ② NOL pills have nothing to do with activism
- ③ Firms cannot observe small stock purchases by hedge funds

Issue 1: Ownership thresholds are too high

Activists buy small stakes (a median of 7%) that do not usually trigger the typical ownership threshold (a median of 10%)

- A sizeable percentage of activism events involve more than 10% beneficial ownership
- Pills that have a 10% threshold often have “acting in concert” provisions
- Because proxy contests are costly, capping the percentage ownership of hedge funds may deter activism (Kahan & Rock, 2017)

Issue 2: Pills to protect net operating loss

NOL pills that have a 5% threshold are adopted to protect net operating loss and not to curb activism

- “...the public targeting of a company by an activist investor ... could make the adoption of an NOL poison pill compelling”
Morgan, Lewis & Bockius LLP (Aug 2018)
- About 20% of NOL pills adopted in 2013-2017 have “acting in concert” provisions
- The definition of “beneficial ownership” in NOL pills does not track the definition in Section 382 of the Tax Code

Issue 3: Information about shareholding

Information on hedge funds' shareholding is not publicly known until they file a 13D form ten days after crossing the 5% threshold

- Abnormal turnover spikes before the 13D filing (Bebchuk et al., 2013), possibly because of information leakages from brokers employed by these funds (Di Maggio et al., 2019)
- There are consultancy firms that specialize in DTC settlement trends and activist trading patterns that advise companies on identifying potentially hostile positions
- The engagement is often through communications behind the scenes without a public campaign or a 13D filing (Becht et al., 2009; Gantchev, 2013; Levit, 2019; Kirmse, 2022)

Data

Poison Pills:

- Manual coding of pill characteristics from 2003-2017 [▶ Definitions](#)
 - Anti-activist provisions (triggers, NOL, acting in concert, synthetics) [▶ Synt](#)
 - Discriminatory provisions (institutions, grandfathers) [▶ Discriminatory](#)
 - Other provisions (duration, shareholder vote, chewable) [▶ Other](#)

Hedge Fund Clicks: [▶ Example](#)

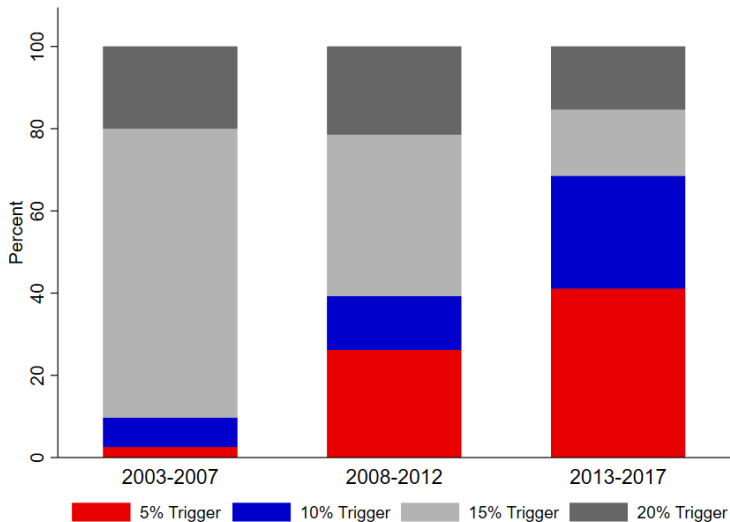
- Cleaning the log files from the SEC Edgar log file website following Ryans (2017)
- Sourcing the IP address using the cipher table from Chen et al. (2020)
- Matching to IP addresses of hedge funds based on IP addresses from the American Registry to Internet Numbers (ARIN) following Kirmse (2022)

Financial Data:

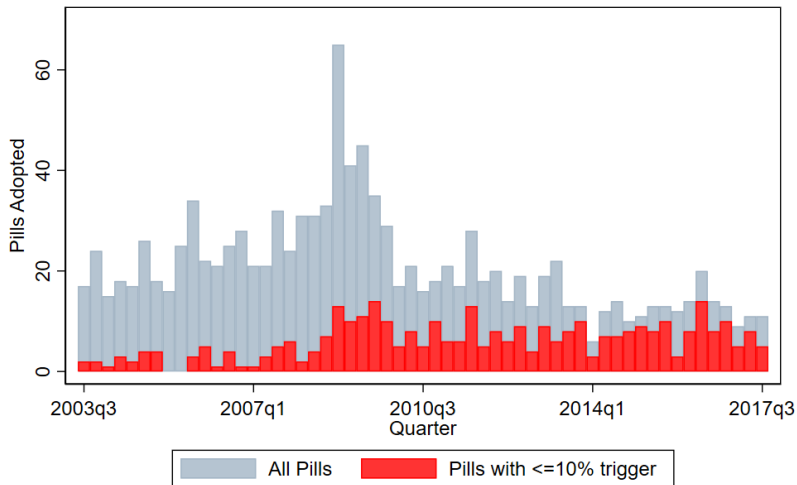
- Quarter-year financial data from Compustat
- Merger and acquisitions announcements from SDC
- Hand-collected data on merger rumors using Factiva

Final sample includes 7,078 firms and 201,363 firm-quarter-year observations

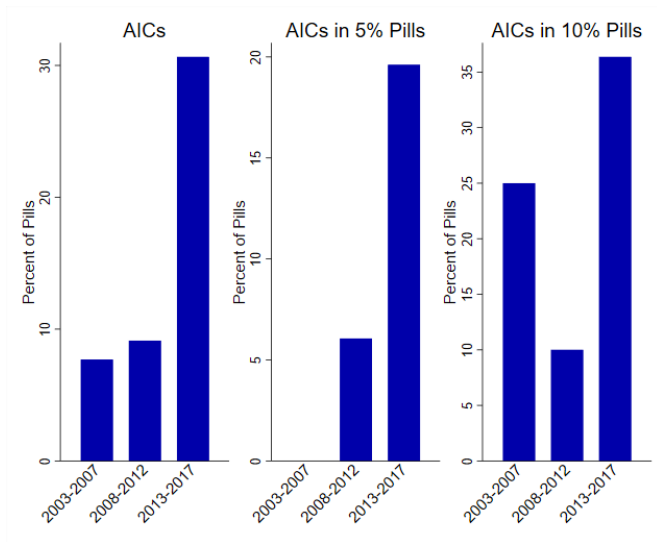
The Evolution of Pills - Trigger Thresholds



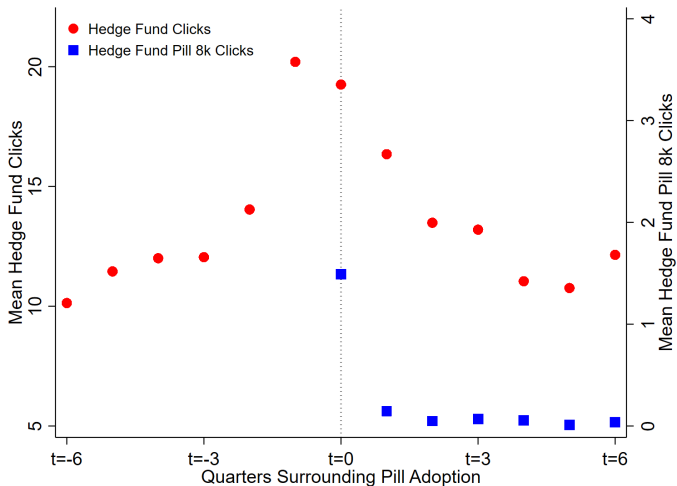
The Number of Pills over Time



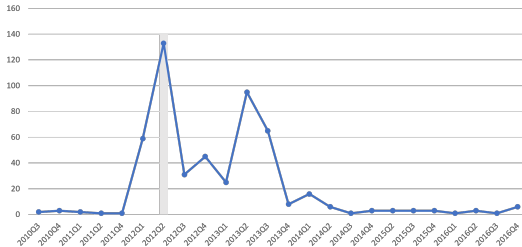
The Evolution of Acting-in-Concert Provisions



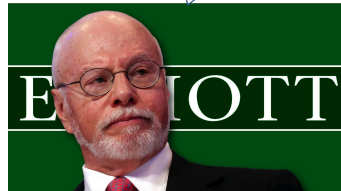
Hedge Fund Clicks and Pill Adoptions



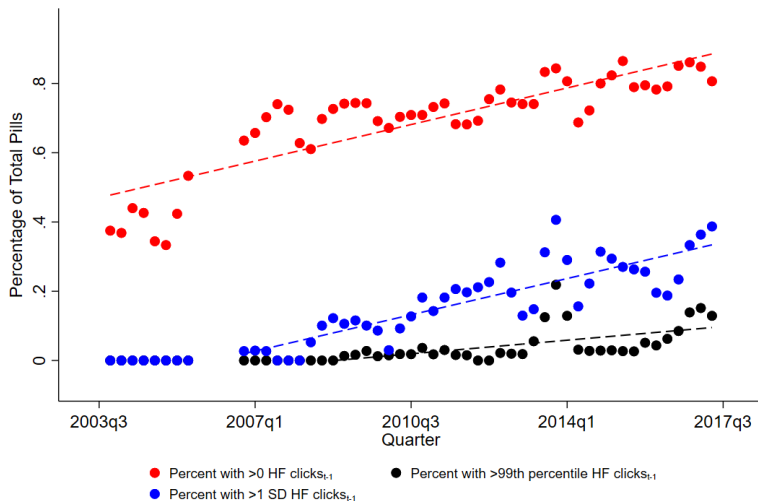
Illustrative Example



we initiated a dialogue with senior management about exploring pathways together to create greater value for stockholders. In turn, BMC responded by issuing a press release and adopting a poison pill - May 2012



The Percentage of Anti-Activist Pills over Time



Empirical Specifications

- Do hedge fund clicks predict pill adoptions?

$$\text{Pill Adoption}_{i,t} = \beta \text{HF Clicks}_{i,t-1} + \gamma \text{Total Clicks}_{i,t-1} + \delta X_{i,t-1} + \eta_i + \mu_t + \varepsilon_{i,t}$$

- Do poison pills affect the outcomes of hedge fund activism?

$$\text{Activism Target}_{i,t} = \beta \text{HF Clicks}_{i,t-1,t-2} + \gamma \text{Pill Adoption}_{i,t-1} + \delta \text{HF Clicks}_{i,t-1,t-2} \text{Pill Adoption}_{i,t-1} + \lambda \text{Total Clicks}_{i,t-1} + \zeta X_{i,t-1} + \eta_i + \mu_t + \varepsilon_{i,t}$$

Do Hedge Fund Clicks Predict Pill Adoptions?

	Pill Adoption _{<i>t</i>} (Indicator)				New Pill	Meaningful Modification	Other Modification	Renewal
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Hedge Fund Clicks _{<i>t-1</i>} (100s)	0.004*** (0.001)	0.004*** (0.001)			0.004*** (0.001)	0.001* (0.000)	0.000 (0.000)	0.000 (0.001)
I(Hedge Fund Clicks _{<i>t-1</i>} > 0)			0.001* (0.000)					
I(Hedge Fund Clicks _{<i>t-1</i>} > 99 th percentile)				0.008** (0.003)				
Total Clicks _{<i>t-1</i>} (100,000s)	0.000 (0.000)	0.001 (0.000)	0.001 (0.001)	0.001 (0.001)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Controls	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DV Unconditional Sample Mean	0.0054	0.0054	0.0054	0.0054	0.0025	0.0003	0.0013	0.0020
Observations	201,363	201,363	201,363	201,363	201,363	201,363	201,363	201,363
R ²	0.04	0.04	0.04	0.04	0.03	0.03	0.04	0.04

- A one-standard deviation increase in hedge fund clicks is associated with a 48% greater likelihood of new pill adoptions

Different Types of Pill Characteristics

	Trigger $\leq 10\%$	NOL pill	AIC pill	Trigger $> 10\%$
	(1)	(2)	(3)	(4)
Hedge Fund Clicks _{t-1} (100s)	0.004*** (0.001)	0.002** (0.001)	0.001* (0.001)	0.001 (0.001)
Total Clicks _{t-1} (100,000s)	0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)
Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year-Quarter FE	Yes	Yes	Yes	Yes
DV Unconditional Sample Mean	0.0016	0.0010	0.0007	0.0038
Observations	201,363	201,363	201,363	201,363
R ²	0.04	0.05	0.04	0.04

- A one-standard deviation in hedge fund clicks is associated with a 75% greater likelihood of pills with a 10% trigger or less

Do Pills Affect the Likelihood of 13D Filings?

	Activism Target _t (Indicator)				
	All (1)	All (2)	NOL (3)	Anti-Activist (4)	Non-Activist (5)
Hedge Fund Clicks _{t-1,t-2} (100s)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)
Poison Pill Adoption _{t-1}	0.006 (0.006)	0.008 (0.006)	0.014 (0.017)	0.009 (0.015)	0.007 (0.006)
Hedge Fund Clicks _{t-1,t-2} × Poison Pill Adoption _{t-1}		-0.006 (0.004)	-0.010** (0.004)	-0.010*** (0.003)	0.001 (0.011)
Total Clicks _{t-1} (100,000s)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
Controls, Firm FE, Year-Quarter FE	Yes	Yes	Yes	Yes	Yes
DV Unconditional Sample Mean	0.0131	0.0131	0.0131	0.0131	0.0131
Observations	190,710	190,710	190,710	190,710	190,710
R ²	0.06	0.06	0.06	0.06	0.06

- Pills are also associated with a lower rate of successful hedge fund intervention following a 13D filing [▶ Success](#)

▶ Full Results

Main Robustness Tests

- The results are not driven by hedge funds that typically seek a sale of the target ▶ Sale Strategy
- Excluding takeover bids and takeover rumors ▶ Excluding Takeovers
- Alternative measures of activism threats (e.g., the number of clicking funds) ▶ Number of Hedge Funds
- Limiting the sample to firms that have net operating losses ▶ Positive NOL

Policy Implications

- NOL pills should strictly track the Tax code and not be used against activists

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- Boards should be transparent about the purpose of anti-activist pills and not claim they are adopted against takeovers
- There is a need for clearer legal standards to distinguish pills that entrench managers and pills that protect long-term value

Conclusion

- Poison pills are mostly used to curb the threat of hedge fund interventions
- Poison pills reduce the likelihood that a hedge fund will intervene and the success of intervention
- Clearer laws are needed for reviewing poison pills ▶ Policy
- Work in progress: evaluate the effect of pills on behind-the-scenes engagements with boards ▶ Engagement

Literature Review

- Limited empirical data on pills that target activism (Boyson & Pichler, 2018; Eldar & Wittry, 2021)
- Legal analysis of pill features that target hedge fund activism (Kahan & Rock, 2019; Gordon, 2022; Goshen & Steel, 2022)
- Large literature on the valuation of pills (Malatesta & Walkling, 1988; Comment & Schwert, 1995; Ryngaert, 1988; Gompers et al., 2003; Bebchuk et al., 2009; Cremers et al., 2016; Catan, 2019; Eldar & Wittry, 2021)
- Large literature that evaluates the impact of hedge fund activism (Brav et al., 2008; Bebchuk et al., 2015; Becht et al., 2009; Boyson et al., 2017; Coffee et al., 2018; Cremers et al., 2020)
- Recent theoretical and empirical studies that highlight activism through private communications (Levit, 2019; Kirmse, 2022)

Background: The Poison Pill as an Antitakeover Device



- A right issued to shareholders (other than the bidder) to buy shares at discounted prices; the right is triggered if a person acquires more than a certain percentage (20%) of the stocks
- It is virtually impossible to take over a company that has adopted a pill without running a proxy contest to replace the board
- Boards may adopt pills swiftly without shareholder approval, so any company has a “shadow pill” (Coates, 2000)
- Courts almost invariably hold poison pills to be valid as takeover defenses under the *Unocal* standard

Carvana adopts 'poison pill', sells \$4 billion of auto loans

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Tue, January 17, 2023 at 10:56 AM EST · 1 min read

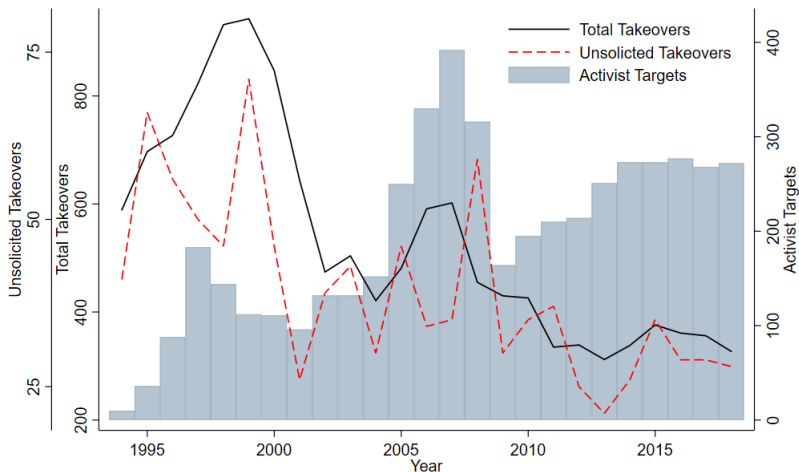


Illustration shows Carvana logo

- Based on CapitalIQ, as of September 30, 2022, two hedge funds each held about 6% of the stocks and 59 hedge funds had a very small stake for a total of just under 15%

[▶ Return](#)

The Market for Control and Hedge Fund Activism



► Return

Legal Policy on Poison Pills

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- *Williams Companies* also held that pills with a 5% trigger are unreasonable
 - But Delaware law treats NOL pills that have a 5% trigger as valid without much scrutiny
 - **Are NOL pills used as an anti-activist device under the guise of protecting tax assets?**

▶ Return

Policy Implications

- NOL pills should not be used to thwart activists
 - Courts should not allow underperforming firms with NOLs to adopt 5% pills, while treating non-NOL 5% pills as unreasonable
 - True NOL pills should strictly track the wording of Section 382 of the Tax Code and should not include terms targeting activists
- Rethinking the legal standard for anti-activist pills
 - *If activists are creating value: Apply Williams Companies by prohibiting anti-activist pills except in extreme circumstances (e.g., crisis pills; Eldar & Wittry, 2021); OR*
 - *If activists are disruptive: Permit anti-activist pills but require a process for engagement with the hedge fund proposals*

[▶ Return](#)

Legal Treatment of Anti-activist Pills

- Pills may be adopted to prevent “creeping control” (*Yucaipa American Alliance Fund II, L.P. v. Riggio* Del. Ch. 2010) and “disproportionate influence” through stock accumulation, even if they include a 10 percent trigger (*Third Point LLC v. Ruprecht* Del. Ch. 2014)
- NOL pills with a 5 percent trigger may be justified to protect the net operating loss carryforward if a proxy contests is “mathematically possible” (*Versata Enterprises, Inc. v. Selectica, Inc.*, Del. 2010)
- A pill is not valid as a defense against a *general threat of stockholder activism*, or the threat of an activist pursuing a short-term agenda (*In re Williams Companies Stockholder Litigation*, Del. Ch. 2021)
- Pill with an “off-market” 5% ownership trigger and “acting in concert” provision that captures parallel conduct without agreement or understanding held invalid (*In re Williams Companies Stockholder Litigation*, Del. Ch. 2021)

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The Characteristics of Poison Pills

Anti-activists provisions:

- *Trigger threshold*: the percentage of ownership that triggers shareholders' rights to buy stocks at a discount
- *NOL pill*: pills with a 5 percent trigger which are expressly designed to protect net operating loss (NOL) carryforward
- *Acting in concert*: provisions that aggregate the ownership stakes of all acquirers that coordinate their purchases
- *Synthetic equity*: derivative interest in the firm's value counts as equity ownership

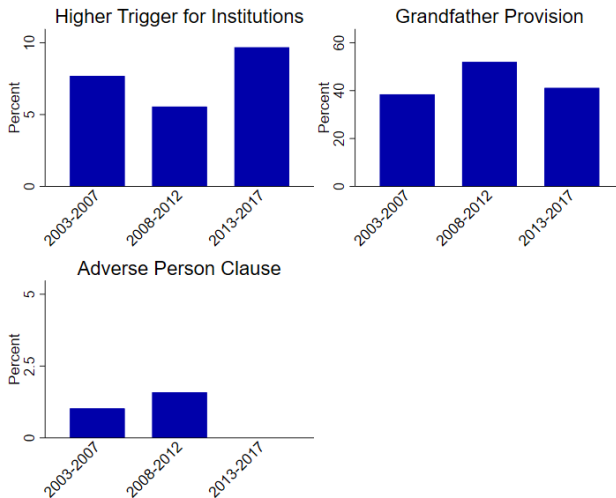
Discriminatory provisions:

- *Institutions*: higher trigger threshold for passive institutional shareholders
- *Grandfather provisions*: higher trigger thresholds for certain controlling shareholders
- *Adverse person provisions*: a lower trigger threshold for persons the board deems to be adverse to the corporation

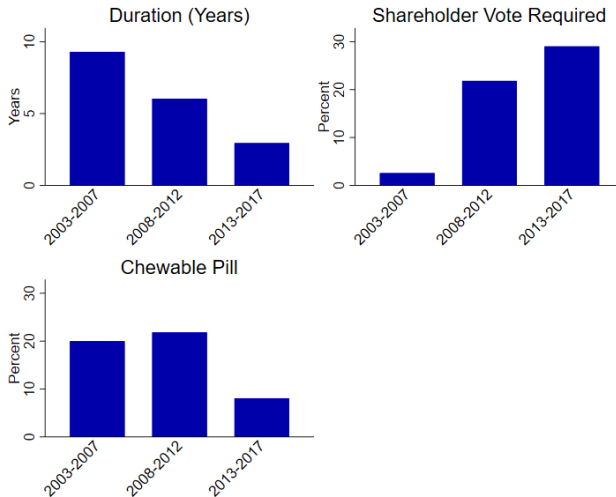
Other provisions:

- *Pill duration*: the period in which the pill remains active
- *Chewable pill*: pills that are not triggered by qualified tender offers
- *Shareholder vote*: shareholder approval required for the pill to be valid

The Evolution of Pills - Discriminatory Provisions



The Evolution of Pills - Other Provisions



Construction of Hedge Funds Clicks Data (Kirmse, 2022)

ip	date	time	cik	accession	extention	code	size	idx	crawler
66.249.73.cci	12/30/2012	0:49:07	1161622	0001274440-04-000031	.txt	200	17702	0	0
66.249.73.ebc	12/30/2012	0:49:07	1423227	0000950123-11-032111	.txt	200	18112	0	0

SEC EDGAR log file

cci 237

cah 238

ebc 239

Chen et al. cipher table

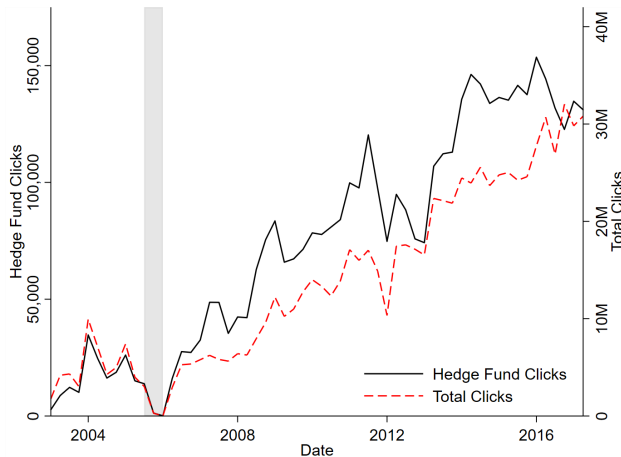
NetName	NetRange	OrgID
CRM-NATION	66.249.25.0 - 66.249.25.255	CRMNA
CENTURYLINK-LEGACY-MEBT	66.249.32.0 - 66.249.63.255	CCL-534
GOOGLE	66.249.64.0 - 66.249.95.255	GOGL
GOOGLE-CORP-66-249-86-0	66.249.86.0 - 66.249.87.255	GOOGL-1

ARIN OrgID with IP block

City	Country	OrgAdminHandle	OrgID	OrgName	PostalCode	State/Prov	Street
Thornton	US		0 C07860697	Google LLC	80241	CO	12396 Grant St
Mountain View	US	ZG39-ARIN	GOGL	Google LLC	94043	CA	1600 Amphitheatre Parkway
Gardnerville	US		0 C07049523	Google LLC	89410	NV	1151 MARK CIR

ARIN OrgID with name and address

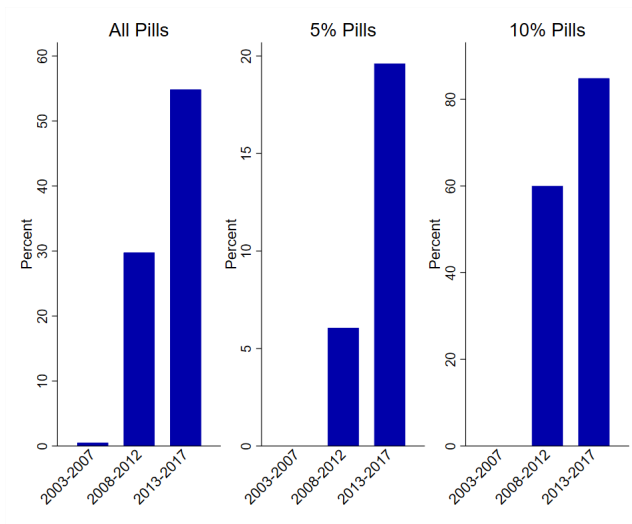
Clicks Over Time

[Return](#)

Summary Statistics of Pill Characteristics

	Hedge Fund Clicks _{t-1}			
	All	0 clicks (1)	(0,99th) (2)	[99th,100th] (3)
<i>Anti-Activist Provisions</i>				
Trigger (%)	13.29	14.29	12.85	10.0
NOL Pill	21.19	13.02	25.30	40.0
Acting in Concert	13.31	12.09	12.80	35.0
Synthetic Equity	25.22	13.02	30.06	75.0
<i>Discriminatory Provisions</i>				
Higher Trigger for Institutions	7.18	6.51	6.25	30.0
Grandfather Provision	45.01	39.53	48.21	50.0
Adverse Person Clause	1.05	2.33	0.30	0.0
<i>Other Characteristics</i>				
Duration (years)	6.35	7.83	5.70	1.51
Shareholder Vote Required	16.81	10.23	21.13	15.0
Chewable Pill	18.21	20.93	16.67	15.0

The Evolution of Synthetic Equity Provisions



Do Pills Affect the Success of Hedge Fund Campaigns?

	Specific Request _t (Indicator)				Successful Outcome _t (Indicator)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Poison Pill Adoption _{t-1}	-0.021 (0.092)	0.039 (0.097)	-0.225 (0.158)	-0.133 (0.179)	0.225* (0.125)	0.338** (0.137)	0.031 (0.259)	0.315 (0.264)
Hedge Fund Clicks _{t-1,t-2} × Poison Pill Adoption _{t-1}		-0.002** (0.001)		-0.002** (0.001)		-0.005*** (0.002)		-0.010*** (0.002)
Hedge Fund Clicks _{t-1,t-2}	0.000** (0.000)	0.000** (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Total Clicks _{t-1} (100,000s)	0.286 (0.247)	0.281 (0.248)	-0.810* (0.466)	-0.823* (0.464)	0.132 (0.164)	0.129 (0.165)	-0.091 (0.706)	-0.220 (0.709)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	No	No	Yes	Yes	No	No	Yes	Yes
Observations	2,299	2,299	1,324	1,324	1,375	1,375	695	695
R ²	0.02	0.02	0.55	0.55	0.02	0.02	0.59	0.59

► Return

Are the Results Driven by Sales?

	Pill Adoption _t (Indicator)				
	(1)	(2)	(3)	(4)	(5)
Hedge Fund Clicks _{t-1} (Mode = Sale Objective)	0.0006 (0.0004)	0.0005 (0.0004)	0.0005 (0.0004)		
Hedge Fund Clicks _{t-1} (Mode = All Other)		0.0011*** (0.0004)			
Hedge Fund Clicks _{t-1} (Mode = General Objective)			0.0007** (0.0003)		
Hedge Fund Clicks _{t-1} (Mode = Capital Structure Objective)			0.0001 (0.0002)		
Hedge Fund Clicks _{t-1} (Mode = Business Strategy Objective)			0.0001 (0.0002)		
Hedge Fund Clicks _{t-1} (Mode = Governance Objective)			0.0006** (0.0003)		
Hedge Fund Clicks _{t-1} (Never Sale Objective)				0.0010*** (0.0003)	0.0009*** (0.0003)
Hedge Fund Clicks _{t-1} (At least 1 Sale Objective)					0.0006** (0.0003)
Total Clicks _{t-1} (100,000s)	0.0011 (0.0009)	0.0005 (0.0004)	0.0005 (0.0004)	0.0007 (0.0006)	0.0005 (0.0004)
Controls, Firm FE & Year-Quarter FE	Yes	Yes	Yes	Yes	Yes
DV Unconditional Sample Mean	0.0054	0.0054	0.0054	0.0054	0.0054
Observations	201,363	201,363	201,363	201,363	201,363
R ²	0.04	0.04	0.04	0.04	0.04

Do Hedge Fund Clicks Predict Pills? Excluding Takeovers

	Pill Adoption _t (Indicator)			Anti-Activist Pill Adoption _t (Indicator)		
	(1)	(2)	(3)	(4)	(5)	(6)
Hedge Fund Clicks _{t-1} (100s)	0.0040*** (0.0014)	0.0030** (0.0012)	0.0031** (0.0013)	0.0024** (0.0012)	0.0023** (0.0011)	0.0024** (0.0012)
Total Clicks _{t-1} (100,000s)	0.0006 (0.0005)	0.0006 (0.0005)	0.0006 (0.0005)	0.0003 (0.0003)	0.0003 (0.0003)	0.0003 (0.0003)
Excludes =	Bids	Rumors	Both	Bids	Rumors	Both
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
DV Unconditional Sample Mean	0.0052	0.0049	0.0049	0.0011	0.0010	0.0010
Observations	194,844	200,849	194,530	194,844	200,849	194,530
R ²	0.04	0.04	0.04	0.05	0.05	0.05

[► Return](#)

Do Pills Affect the Likelihood of 13D Filings? Excluding Takeovers

	Activism Target _t (Indicator)				
	All (1)	All (2)	NOL (3)	Anti-Activist (4)	Non-Activist (5)
Hedge Fund Clicks _{t-1,t-2} (100s)	0.003*** (0.001)	0.003*** (0.001)	0.003*** (0.001)	0.003*** (0.001)	0.003*** (0.001)
Poison Pill Adoption _{t-1}	0.001 (0.005)	0.003 (0.006)	0.009 (0.016)	0.004 (0.014)	0.002 (0.006)
Hedge Fund Clicks _{t-1,t-2} × Poison Pill Adoption _{t-1}		-0.007*** (0.002)	-0.008** (0.004)	-0.008** (0.003)	-0.004 (0.004)
Total Clicks _{t-1} (100,000s)	0.006 (0.011)	0.006 (0.011)	0.006 (0.011)	0.006 (0.011)	0.006 (0.011)
Controls, Firm FE, Year-Quarter FE	Yes	Yes	Yes	Yes	Yes
DV Unconditional Sample Mean	0.0116	0.0116	0.0116	0.0116	0.0116
Observations	184,171	184,171	184,171	184,171	184,171
R ²	0.06	0.06	0.06	0.06	0.06

[▶ Return](#)

Does the Number of Clicking Hedge Funds Predict Pills?

	Pill adoption (1)	Anti-Activist Provisions				Other Provisions		
		I(Trigger \leq 10%) (2)	NOL pill (3)	AIC pill (4)	Synthetic equity pill (5)	I(Trigger $>$ 10%) (6)	Non-NOL pill (7)	Chewable pill (8)
Number of Hedge Funds _{<i>t-1</i>} (10s)	0.005*** (0.001)	0.004*** (0.001)	0.003*** (0.001)	0.002** (0.001)	0.003*** (0.001)	0.001 (0.001)	0.002*** (0.001)	0.001** (0.001)
Total Clicks _{<i>t-1</i>} (100,000s)	0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DV Unconditional Sample Mean	0.0052	0.0016	0.0010	0.0007	0.0011	0.0038	0.0044	0.0012
Observations	201,363	201,363	201,363	201,363	201,363	201,363	201,363	201,363
R ²	0.04	0.04	0.05	0.04	0.04	0.04	0.04	0.04

► Return

Do Hedge Fund Clicks Predict Pills? Positive NOL

	Pill adoption	Anti-Activist Provisions				Other Provisions		
		$I(\text{Trigger} \leq 10\%)$	NOL pill	AIC pill	Synthetic equity pill	$I(\text{Trigger} > 10\%)$	Non-NOL pill	Chewable pill
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Hedge Fund Clicks _{<i>t-1</i>} (100s)	0.004** (0.002)	0.004** (0.002)	0.003** (0.001)	0.002* (0.001)	0.003*** (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
Total Clicks _{<i>t-1</i>} (100,000s)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DV Unconditional Sample Mean	0.0060	0.0021	0.0014	0.0009	0.0014	0.0039	0.0046	0.0011
Observations	101,911	101,911	101,911	101,911	101,911	101,911	101,911	101,911
R ²	0.06	0.06	0.06	0.05	0.05	0.05	0.05	0.04

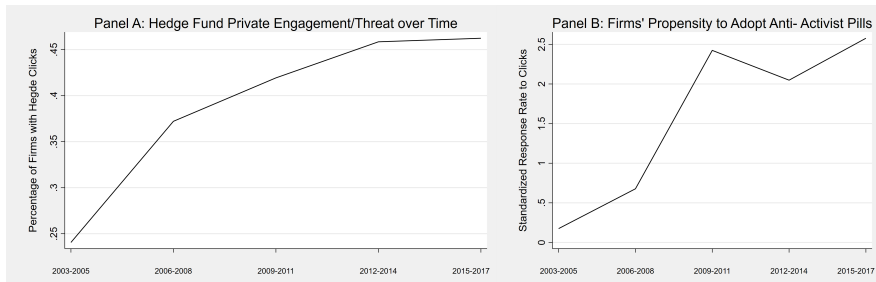
[► Return](#)

Do Pills Affect the Likelihood of 13D Filings? Positive NOL

	Activism Target _t (Indicator)				
	All (1)	All (2)	NOL (3)	Anti-Activist (4)	Non-Activist (5)
Hedge Fund Clicks _{t-1,t-2} (100s)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)
Poison Pill Adoption _{t-1}	-0.002 (0.007)	-0.001 (0.008)	0.002 (0.018)	-0.001 (0.015)	-0.005 (0.009)
Hedge Fund Clicks _{t-1,t-2} × Poison Pill Adoption _{t-1}		-0.002 (0.006)	-0.010** (0.005)	-0.010** (0.004)	0.020 (0.021)
Total Clicks _{t-1} (100,000s)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Controls, Firm FE, Year-Quarter FE	Yes	Yes	Yes	Yes	Yes
DV Unconditional Sample Mean	0.0148	0.0148	0.0148	0.0148	0.0148
Observations	97,163	97,163	97,163	97,163	97,163
R ²	0.07	0.07	0.07	0.07	0.07

[▶ Return](#)

Do Poison Pills Deter or Encourage Engagement?



- Kirmse (2022) shows that private engagements (proxied with clicks) with no 13D filings are associated with CEO and director turnover
- Clicks by activists per firm increased over time (Panel A)
- Pill adoptions rate in response to clicks increased over time (Panel B)

► Return

Do Pills Affect the Likelihood of 13D Filings?

	Activism Target _t (Indicator)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Hedge Fund Clicks _{t-1,t-2} (100s)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)
Poison Pill Adoption _{t-1}	0.006 (0.006)	0.008 (0.006)					
Hedge Fund Clicks _{t-1,t-2} × Poison Pill Adoption _{t-1}		-0.006 (0.004)					
NOL Pill _{t-1}			0.014 (0.017)				
Hedge Fund Clicks _{t-1,t-2} × NOL Pill Adoption _{t-1}			-0.010** (0.004)				
Acting-in-Concert with 10% Trigger Pill Adoption (AIC10) _{t-1}				-0.033*** (0.010)			
Hedge Fund Clicks _{t-1,t-2} × AIC10 Pill Adoption _{t-1}				-0.006** (0.003)			
Anti-Activist Pill Adoption _{t-1}					0.009 (0.015)		
Hedge Fund Clicks _{t-1,t-2} × Anti-Activist Pill Adoption _{t-1}					-0.010*** (0.003)		
Synthetic Equity with 10% Trigger (SE10) Pill Adoption _{t-1}						-0.029*** (0.008)	
Hedge Fund Clicks _{t-1,t-2} × SE10 Pill Adoption _{t-1}						0.003 (0.009)	
Non-Activist Pill Adoption _{t-1}							0.007 (0.006)
Hedge Fund Clicks _{t-1,t-2} × Non-Activist Pill Adoption _{t-1}							0.001 (0.011)
Total Clicks _{t-1} (100,000s)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DV Unconditional Sample Mean	0.0131	0.0131	0.0131	0.0131	0.0131	0.0131	0.0131
Observations	190,710	190,710	190,710	190,710	190,710	190,710	190,710
R ²	0.06	0.06	0.06	0.06	0.06	0.06	0.06