

Zoetis Appoints New Board Member from Activist Investor Ackman's Hedge Fund Firm

By Jessie Gao, LL.M. Candidate 2015 | February 13, 2015

On February 4, 2015, Zoetis ([ZTS](#)), an animal healthcare company, [announced the appointment](#) of William F. Doyle, through the hedge fund firm Pershing Square Capital Management LP, as its new board member, expanding its board to ten members. Doyle is a former McKinsey & Co. consultant and former Johnson & Johnson executive. He also attended Harvard Business School with Pershing Square's founder and CEO, William Ackman. Pershing Square [is expected to add a second member](#) to Zoetis' board in the near future.

Ackman is a self-proclaimed [activist investor](#). Pershing Square [acquired 8.3% of Zoetis in 2014](#), and was not Ackman's first engagement in the health care and pharmaceutical industry. Earlier in 2014, Ackman stunned Wall Street [in a joint bidding](#) with Valeant Pharmaceuticals International Inc. to take over botox maker Allergan. Despite losing the battle to Actavis, Ackman [profited substantially](#) from Actavis' takeover through its holdings in Allergan at the time.

Zoetis' wrestling with Pershing Square started in November when Pershing Square disclosed its holdings in Zoetis. Speculation arose that Ackman [might pressure Zoetis to sell itself](#) to interested buyers such as Bayer AG, Merck & Co. and Eli Lilly & Co., which have animal healthcare businesses. [Zoetis adopted poison pills](#) right away to allow its shareholders to buy preferred shares at a discount if one investor acquires 15% or more of its shares. Zoetis also [spent \\$255 million](#) to acquire Abbot Laboratories' animal health assets, perhaps hoping that such an expenditure would lessen the incentive for a hostile takeover. In the latest development to prevent a hostile takeover, Zoetis agreed on [standstill provisions](#) with Pershing Square and Sachem Head to prevent their expansion, and give itself time to adopt further measures to prevent a hostile takeover.

The market reacted to the appointment of new board members and the standstill provisions with a modest drop in Zoetis' share price on February 4. Nonetheless, the Zoetis CEO [expressed his support](#) for Doyle's board appointment, stating that Doyle "will provide valuable insight and perspectives as we continue to enhance our position as the world leader in animal health."