

Elliott's Latest Target: Twitter

By Christina Scully, J.D. Candidate 2021

Twitter CEO and co-founder Jack Dorsey recently survived activist hedge fund Elliott Management Corp's efforts to oust him from his position. By increasing its stake in Twitter to over 4%, Elliott leveraged its ownership to compel changes within the company. However, Elliott's push to remove Dorsey was settled rather quickly, and a [Cooperation Agreement](#) that included Dorsey continuing on as CEO was reached in just over a week.

Given Elliott's track record in successful activist campaigns, the result is somewhat surprising. Paul Singer, Elliott Management's founder and key investor, has a reputation that precedes him. [Bloomberg](#) has called Singer "aggressive, tenacious and litigious to a fault" naming him the "most feared" investor in the world. In spite of these perhaps unpopular tactics, Elliott's investment in a company is almost always followed by an uptick in stock price as many investors view Elliott's heavy-handed actions as a leading indicator of future operational improvements. Following this pattern, Twitter was [up 7%](#) after Elliott's holding was announced.

While the agreement between Elliott and Twitter allows Dorsey to remain as CEO, other [significant changes](#) will be implemented. Jesse Cohn, a partner at Elliott, and Egon Durban, a managing partner at Silver Lake, will be added to Twitter's board. The board is also looking to add a third new director, specifically one who brings product development and growth expertise. Additionally, a newly formed independent committee will regularly evaluate the leadership structure and CEO succession plan going forward.

Perhaps the most interesting aspect of the agreement reached between Elliott and Twitter is the introduction of a \$2 billion share repurchase program which will in part be funded by a \$1 billion investment from Silver Lake. A share repurchase program will likely prohibit Twitter from investing more aggressively in product development and other innovation efforts, which potentially conflicts with some of the growth initiatives Elliott is looking to implement.

The agreement between Twitter and Elliott sets hardline goals that Dorsey is expected to lead the company to meet. Namely, the company is expected to increase daily active users by 20% and accelerate revenue growth to increase its share of digital advertising spend. If Twitter doesn't rise to the challenge and meet these benchmarks, Dorsey's days as its standing CEO are likely to be numbered.

