

Salesforce Shakes Up Board As Elliott Plans Contest



The Elliott Management-targeted customer relationship management software giant alters a somewhat overtenured board, experts explain.



By Ronald Orol

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As **Elliott Management Corp.** prepares to nominate director candidates at **Salesforce Inc.** (CRM), the Marc Benioff-led customer relationship management software giant on Friday, Jan. 27, ousted two directors and installed three new ones, including an activist investor.

Salesforce named to its board ex-Carnival Corp. (CCL) CEO Arnold Donald, **Mastercard Inc.** (MA) CFO Sachin Mehra and activist investor Mason Morfit, CEO of **ValueAct Capital Partners LP**. The San Francisco-based company added that Sanford Robertson, 92, a principal at **Francisco Partners Management LLC**, and **Alan Hassenfeld**, 74, a former **Hasbro Inc.** (HAS) CEO, don't plan to stand for reelection at the 2023 annual meeting.

It is unclear how this might impact Elliott Management's plans. According to a source, the Paul Singer-led activist fund plans to nominate a slate of director candidates in the coming weeks — the window to submit candidates opens Feb. 12 and closes March 14. News of Elliott's candidates was first reported by The Wall Street Journal on **Thursday, Jan. 26**.

A contest at Salesforce would represent the second contest of 2023 at a megacap company, after **Triam Fund Management LP** launched a **boardroom battle** earlier this month at **Walt Disney Co.** (DIS).

On Monday, The Deal learned that Elliott has a “multibillion dollar” position in Salesforce. Elliott managing partner **Jesse Cohn** noted that it is “one of the preeminent software companies in the world” and that the fund has “deep respect” for Benioff.

Even so, as Salesforce revealed its board shakeup, **Waheed Hassan**, CEO of strategic adviser ZMH Advisors, said he think the activist fund likely is engaging with Salesforce over the need for board refreshment "and saying, ‘We need new directors who can provide necessary management oversight.’”

Hassan pointed out that prior to Friday's board alteration, roughly one-third of Salesforce's board had been there for over 15 years, including Robertson and Hassenfeld, who have both held seats for more than 19 years. In addition, Maynard George Webb Jr., 68, founder of **Webb Investment Network**, and **Craig Conway**, 68,

former **PeopleSoft Inc.** CEO, have held seats for 16.3 years and 17.3 years, respectively.

“These would be what I consider to be legacy directors on the board,” Hassan said.

Hassan, who advised investors in contests at **Huntsman Corp.** (HUN), **Liveperson Inc.** (LPSN) and U.S. Foods Holding Corp. (USFD) last year, said many of the directors don’t have experience in Salesforce’s customer relationship management software and are unlikely to challenge management on major strategic decisions, especially M&A transaction plans.

For example, outgoing director Hassenfeld, Hasbro's CEO between 1989 to 2003, and board member John Roos, a U.S. ambassador to Japan between 2009 and 2013, may have significant experience but are unlikely to have much of a software background.

Salesforce noted in September that it installed existing director Robin Washington as lead independent director. But Hassan said Washington previously served as CFO of biopharmaceutical company **Gilead Sciences Inc.** (GILD) from 2008 to 2019 and before that Peoplesoft, so she “has little recent experience in a technology industry that is rapidly evolving.”

He noted that Salesforce, unlike many technology companies, doesn’t have a dual-class share structure, so an activist could win a director contest, particularly considering that roughly 81% of its float is made up of institutional investors and insiders own only a small stake.

In addition, key senior executives have shifted roles or moved on recently, which could make Salesforce more vulnerable. Salesforce in November said co-CEO Brett Taylor was leaving the company at the end of January, the second time in less than three years that Benioff has lost a co-CEO. Benioff will remain as sole CEO as well as chairman. (**Keith Block**, a former **Oracle Corp.** (ORCL) executive, held the co-CEO position for 18 months before leaving in 2020.) In November, Salesforce announced that Gavin Patterson was stepping down from the president and chief strategy officer position effective Jan. 31, and in December, Salesforce said that **Slack Technologies Inc.** founder and CEO **Stewart Butterfield** was departing. Meanwhile, Salesforce recently announced a 10% workforce reduction.

“Considering recent leadership changes, Marc will have a strong hold on the company and the direction he takes it,” Hassan said.

Universal Card Help

A universal proxy card system, which took effect in September giving institutional investors more flexibility to pick and choose among incumbent and dissident director candidates, could also provide leverage to Elliott. Hassan noted that Salesforce likely received advice that with the universal card there is a good likelihood that Elliott would succeed at gaining one or two directors, especially if it didn't refresh its board first. “The motivation to settle with the universal proxy card is much higher than before,” he said.

M&A or no M&A?

Elliott is not the only activist targeting Salesforce. In October, Starboard Value LP's **Jeff Smith** issued a presentation arguing that Salesforce suffers from a valuation discount compared with peers, adding that it expects that through fiscal 2026, Salesforce will have an additional \$20 billion to \$25 billion of cash to deploy on either value-accretive M&A or further capital return, beyond an existing \$10 billion share repurchase program.

It isn't clear, however, whether Elliott is on the same page as Starboard in terms of pushing for more deals. Salesforce has made over \$50 billion in acquisitions since 2018, including \$26 billion for Slack in 2020, \$14.7 billion for Tableau Software LLC in 2019 and \$5.8 billion for **MuleSoft Inc.** in 2018, according to **FactSet Research Systems Inc.** Elliott could argue that Salesforce may need to be more disciplined when it makes acquisitions in the future.

“They could raise concerns about whether Salesforce is doing a good enough job integrating all these acquisitions,” Hassan said.

The Financial Times reported Wednesday **that activist investors** have made it clear that a sale of either Slack or Tableau should be explored.

Macquarie Capital Inc. analysts on Thursday noted in a report that they believed Salesforce overpaid for Tableau and Slack but added that shareholders would receive “the worst possible return on a sale” today, as the sector is trading at “10-year trough levels.” They also said that Tableau as a standalone wouldn’t be a complete software company and that future growth could be “irreparably compromised” if Salesforce shifted to disinvestment.

Hassan added that Salesforce generates a lot of cash, so both Starboard and Elliott likely agree that a hike to the repurchase program or a special dividend is necessary.

Vinson & Elkins partner **Patrick Gadson** asked on Yahoo Finance Live on Monday whether a global settlement could materialize for both activists that gives Salesforce some “activism repellent” into this year’s proxy season.

“Does Starboard have the same agenda, and does Starboard want board representation?” Gadson said. “[A global settlement] is more unlikely; you may have to pick one. With reputations as strong as Starboard and Elliott, it is really tough to pick your own poison.”

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SOFTWARE AND SERVICES CALIFORNIA NEW YORK

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COMPANIES MENTIONED

Slack Technologies Inc.	Vinson & Elkins LLP	Francisco Partners Management LLC		
Macquarie Capital (USA) Inc.	Webb Investment Network	LivePerson Inc.	Tableau LLC	
Carnival Corp.	Walt Disney Co.	Oracle Corp.	Triam Fund Management LP	MuleSoft Inc.
ValueAct Capital Partners LP	MasterCard Inc.	Hasbro Inc.	FactSet Research Systems Inc.	

Bloomberg LP

Huntsman Corp.

PeopleSoft Inc.

Elliott Management Corp.

Starboard Value LP

Gilead Sciences Inc.

Salesforce Inc.

US Foods Holding Corp.

Tableau Software Inc.

PEOPLE MENTIONED

Gavin E. Patterson

Jeff Smith

Craig Conway

Jesse Cohn

Maynard G. Webb Jr.

Stewart Butterfield

Robin L. Washington

Marc Benioff

Keith Block

Alan Hassenfeld

John Victor Roos

Patrick Gadson

Waheed Hassan

Paul E. Singer