13Details: Post CEO makes bet on Herbalife

by **Michael D. Brown** | Published February 6, 2014 at 2:54 PM ET

AFTER A YEAR FILLED with speculation about the validity of its business, nutritional supplement direct seller Herbalife Ltd. could be in the sights of a major food company.

In a 13D filing with the Securities and Exchange Commission on Jan. 30, William P. Stiritz, the CEO of Battle Creek, Mich.-based Post Holdings Inc., revealed he had upped his stake in Herbalife to 7.39% from 6.38%. Stiritz said in the filing that he had "concluded that it has a sound business model, a strong distribution system and a positive outlook for long-term growth opportunities."

The filing sent Herbalife's shares, which trade as HLF on the New York Stock Exchange, up 3% on Jan. 30 to $64.77 per share from $62.82 per share on speculation that the filing could presage a buyout offer. The shares have since risen an additional 6.5% to a close of $69.02 on Feb. 3.

Fueling the speculation have been numerous reports about Tim Ramey, a D.A. Davidson & Co. analyst who has publicly criticized hedge fund manager and Herbalife baiter Bill Ackman, joining Post to work under Stiritz. -- *M.D.B.*

THE OPERATOR OF KAY JEWELERS, Signet Jewelers Ltd., is feeling the pressure from Carl Icahn's former right-hand man, Keith Meister, and may become a more active M&A participant.

Meister's New York hedge fund, Corvex Management LP, revealed a 7.8% stake in Signet on Jan. 24.

Corvex said in a 13D filing that it has already engaged in "constructive" talks with Signet regarding various issues, such as M&A, a more optimal capital structure and returning capital to shareholders.

That's not to say that Signet hasn't been performing well. Its stock has appreciated for five years straight. Its market capitalization is north of $6.3 billion.

Signet shares, trading on the NYSE as SIG, have increased about 24% over the past 12 months as of Jan. 23, and ticked up another 5% to finish at $79.55 on Jan. 31, indicating that Corvex may have some fans among Signet investors.

Hamilton, Bermuda-based Signet last completed an acquisition on Oct. 24, 2012, when it bought Ultra Stores Inc.

from Boston private equity firm Crystal Financial LLC for about $57 million in cash.

For its part, Signet in a statement acknowledged that meetings with investors including Corvex have occurred throughout January. -- ***Sarah Pringle***

FORMER SONY MUSIC ENTERTAINMENT executive Tommy Mottola, who helped expose the world to Mariah Carey, John Mellencamp and Diana Ross, could soon be on the board of home shopping network ValueVision Media Inc., which one hedge fund said is not performing at the same level as its peers.

Mottola, as well as Mark Bozek, the ex-CEO of HSN Inc. (formerly the Home Shopping Network), are on the slate of nominees suggested by New York activist Clinton Group and president Greg Taxin. ValueVision is set to hold its annual meeting March 14.

While its stock underperformance attracts activists to companies, Taxin explained at DealFlow Media's Activist Investor Conference that he zeroed in on something others were missing. Taxin said ValueVision had failed to increase a key metric for its kind of business, namely revenue per home, which, for the company had been firmly stuck at $7 per home per year as compared to competitor HSN at $24 and QVC Inc. at $59.

Clinton Group has been prodding ValueVision since Oct. 30, when the hedgie revealed its 5.8% stake and said that CEO Keith Stewart wasn't fulfilling his 2009 promise to turn things around. -- *M.D.B.*

WHO'S BARKING? Engaged Capital LLC's founder, Glenn Welling, said in a phone interview that he's planning his next move at Abercrombie & Fitch Co.

The "constructive" activist fund, which includes four analysts who hail from well-respected governance fund Relational Investors LLC, doesn't often launch proxy contests when it seeks to change.

That modus operandi may change with Abercrombie, however. The fund is seeking an "immediate succession plan" for Abercrombie's CEO, even after the apparel retailer on Jan. 28 said it would strip its chief executive, Mike Jeffries, of his chairman position and add three new directors to the company's board.

"While the recent governance changes are a step in the right direction, we believe these reactive changes alone will not be sufficient," Welling said.

Already the results at Abercrombie show that Welling and his Newport Beach, Calif.-based crew have the backing of many institutional investors. Part of the support may be Welling's pedigree, since he worked with governance godfather Ralph Whitworth at Relational before starting Engaged in 2012.

"Ralph is brilliant and I learned a lot from him in the governance area," Welling said. "We bring a lot of the same values to our investing ... governance is a critical element to well-managed businesses."

Engaged, which received seed funding from Grosvenor Capital Management, was launched with $85 million. The firm doesn't disclose its current asset size.

Welling said he left because Relational's size made it impossible to focus exclusively on opportunities with small and mid-capitalization companies.

"We see more mispriced equities in the small-midcap space," he explained. "These businesses are simpler, not complex multi-nationals, and are undercovered by Wall Street analysts, so our deep research adds a lot of value."

In addition to Abercrombie, Engaged has activist campaigns at fertilizer company Rentech Inc., dronemaker AeroVironment Inc., and heart diagnostic maker Volcano Corp. -- ***Ronald Orol***