

Engaged Capital's performance aided by Rovi's strong returns – Activist Profiler (Update)
by Ed Mullane in New York
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[Engaged Capital's](#) private equity approach to public investing is translating into strong results, with the activist fund up 18% year-to-date at the end of August. Since the fund was launched in late 2012, it is up just under 50%, for annualized returns north of 10%, a source close to the fund told *Activistmonitor*.

Rovi Corporation (NASDAQ: ROVI), which closed this week on its deal to acquire **TiVo**, is the activist's largest position and is helping drive the fund's performance. Rovi will now assume the TiVo name. The Rovi position is up 23% year-to-date, the source noted.

The other larger positions in the portfolio are also doing well this year. The portfolio's second largest position is **Magnachip Semiconductor** (NYSE: MX), an analog and mixed signal company, the source said. Engaged has held this position for 18 months and is up 63% this year.

The third largest position is in **Benchmark Electronics** (NYSE: BHE), a manufacturer of products for original equipment manufacturers. Engaged has held Benchmark for more than a year and a half. Benchmark is up 24% since Engaged won a proxy contest earlier this year, and is up about 17% year to date.

The portfolio's next largest position is **Medifast** (NYSE: MED), a developer of weight management and healthy living products. It has been in the portfolio for two-and-a-half years and is up 23% year-to-date, the source noted. Engaged typically looks to hold a position for two to four years. The source noted that it takes time to drive change in public companies. This timeline is factored into Engaged's asset base, which targets raising "patient capital" from pension funds, endowments and foundations.

The portfolio investments are very consistent with its asset base so that it can take large stakes in companies and drive material changes over longer periods of time – private equity investing in public companies, the source noted.

In a profile with this news service in July, Engaged said the firm looks for good businesses with high returns on capital, high cash flow generation, low financial leverage, and strong competitive positions that are trading at significant discounts to their intrinsic value.

See *Activistmonitor's* full Engaged [Activist Profiler](#) *here*.

Engaged then searches to find something identifiable to find out what management and the board are doing that is constraining the company's valuation.

Rovi fits into the Engaged profile. The media guide technology company generated a tremendous amount of cash flow from licensing fees from its IP portfolio, which was then invested in R&D and product development on the product side of the company that did not make any money, the source said.

The company also had a "disastrous" acquisition track record, the source noted. Rovi purchased **Sonic Solutions** in 2011 for USD 692m. Sonic was slowly sold off in pieces in the next few years, the source noted. Rovi also had disparate operations across the country and internationally that had never been integrated.

Rovi presented an opportunity for significant cost reductions, to discipline its capital allocation program, and to align compensation with share price performance, the source noted.

The combined Rovi and TiVo will have pro-forma 2016 revenue of USD 800m with EBITDA margins expected to increase to 40%, up from the 35% margins at Rovi.