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# ValueAct takes stake in Smiths Group

Stephen Foley in San Francisco

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Jeff Ubben

ValueAct, the US activist hedge fund led by Jeff Ubben, has emerged as a shareholder in [Smiths Group](#), just days after revealing it is the largest investor in another staple of UK industry, Rolls-Royce.

Unlike its investment in Rolls-Royce, ValueAct has not yet determined whether its Smiths stake will become one of its core positions, which imply a multiyear holding period and a campaign to shake up the multinational engineering company, according to people familiar with the fund's plans.

Its holding in the UK group, which makes products ranging from airport scanners to medical devices, is also below the 5 per cent threshold required for disclosure to the London Stock Exchange.

However, its share buying in Smiths comes after the company appointed a new chief executive, raising hopes among some shareholders for a strategic review of the sprawling conglomerate.

ValueAct views Smiths' medical devices business and its John Crane seals division as potential candidates for merger and acquisition activity, according to people close to the fund, and the UK group's improving pension deficit could make a restructuring possible.

The hedge fund has been considering an investment in Smiths for more than a year, the people said, and had conversations with its outgoing chief executive, Philip Bowman.

Mr Bowman took over Smiths Group in 2007 and had been expected to break up and streamline the company. However, the size of the UK pension deficit and asbestos liabilities scuppered these plans.

In an FT interview last year, Mr Bowman expressed frustration that he had been unable to put the plans into action.

Last month, Smiths said that it had poached Andrew Reynolds Smith from GKN Automotive to be its new chief executive, after a lengthy hunt for a new boss.

On Monday, Smiths suggested that it was relaxed about the interest from ValueAct, which it views as a potentially supportive investor at a time when rising interest rates could help shrink its pension deficit further — reviving restructuring plans.

A spokesman for the company said: “We welcome an active interest from all our shareholders, and we work in the interests of all shareholders at all times.”



Smiths started out as a watchmaker in 1851, but is now the world’s largest manufacturer of sensors for the detection of explosives, drugs, weapons and chemical agents.

ValueAct is on the more consensual end of the spectrum of activist hedge funds, preferring to work behind the scenes with companies. Its plans at Rolls-Royce include pushing for accelerated cost cuts in its core aerospace division. It may also demand a board seat at the company, where it now owns 5.4 per cent of the shares, and support divestments of non-aerospace businesses in a future strategy review.

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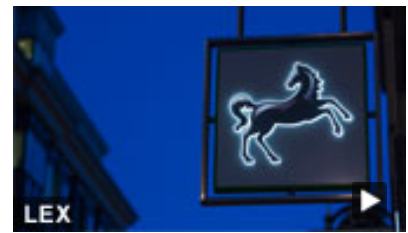
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