

Coast Capital maintains 'student-teacher relationship' with active investments – Profiler

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Coast Capital has a “student-teacher relationship” with the companies it’s invested in, James Rasteh, the activist’s founding partner and chief investment officer, told *Activistmonitor*.

The advisory board of the New-York based activist shares its expertise by drafting and deploying target-specific value creation plans, Rasteh said. It is composed of 20 experts in their respective industries who, he said, “are likely to know better than the 'average' management team of an average company.” The board members include Uwe Doerken, head of transport at **McKinsey** and president at **DHL Worldwide**, Gaurdie Banister, president at **BP Americas**, and Ken Lever, the CEO at **Xchanging Plc** and the financial chief at **Tomkins Plc**, among others.

Just as there is room for improvement in every student, the advisory board focuses on filling the gap by targeting specific problems, Rasteh added. For example, he said that e-commerce giant **Amazon.com** [NASDAQ: AMZN] needs to improve its working conditions as well as its environment and packaging practices, while **FirstGroup** [LON:FGP] should rethink its corporate governance practices. The fund holds a “very, very small position” in Amazon, Rasteh said, and a 13.47% stake in FirstGroup, as reported previously.

Coast targets mid-cap European companies that are sector leaders or in growing industries. The investments are typically made when valuations are low and there are events in sight with the potential to release value back to the shareholders, he said. The fund applies a private equity approach, Rasteh added, explaining that Coast usually applies a long-term view on investing.

Rasteh formed Coast Capital in 2019, after serving for almost a decade as a principal and CIO at **White Eagle**, a special purpose vehicle, according to the fund’s website. The fund’s other partner, Chad Tappendorf, has 15 years of experience in global private and public equity investment, and has held board memberships at several companies in sectors including resources, logistics, real estate, and consumer goods industries.

Classification:

Regional Head Offices

EMEA: 10 Queen Street Place, London, EC4R 1BE, United Kingdom Tel: +44 (0)20 3741 1000

Americas: 1501 Broadway, New York, NY 10036 USA Tel: +1 212 686 5606

APAC: 19/F Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong Tel: +852 2158 9790

Coast holds approximately USD 500m assets under management, and is invested in up to 12 companies. Its current holdings include UK-based transport company FirstGroup, waste management firm [Renewi](#) [LON: RWI], Canadian gold mining firms **Pretium Resources** [TSX/NYSE:PVG] and **Jaguar Mining** [OTCMKTS: JAGGF], Rasteh said.

In October 2020, Coast launched **Coast Capital Midas Fund**, which has AUM of about USD 400m and focuses entirely on gold miners, Rasteh said, noting that the space presents an extraordinary investment opportunity.

Coast's net asset value (NAV) has risen 21% year-on-year in 2019 and 58% in 2020, he noted.

The fund's stewardship consists of two members who are focused on environmental considerations, and 20 for governance and social considerations.

From an engagement perspective, Coast first opens up a dialogue with the target's CEO, moving up to the chairman of the board only if the discussion escalates, Rasteh said. Coast has seen fairly supportive management teams and boards at the companies in which it is invested with the exception of FirstGroup, he explained.

But he also noted that the rise of passive investing is resulting in corporate governance flaws in Europe. With "too many companies" relying on the judgement of shareholder advisory firms, activism has taken a hit in North America and Europe, especially, Rasteh said. "They (shareholder advisory firms) nearly always vote in line with management and boards of companies," he added.

Coast had been pressing FirstGroup to call off its GBP 3.3bn planned sale of US subsidiaries **First Student** and **First Transit** to **EQT Infrastructure**, due to concerns around the company's shareholders only receiving approximately one-tenth of the deal proceeds. On several occasions, the fund accused FirstGroup's board of making misleading claims, and not exploring all options for the US subsidiaries sale. The activist, however, lost its battle at the AGM on 27 May, when the majority of FirstGroup shareholders voted to approve the deal.

In 2019, Coast had campaigned to remove six of the existing FirstGroup board directors and nominate seven new directors. It had reportedly also

called for the company's exit from the UK rail sector. In June of that year, however, FirstGroup's shareholders voted in favour of the board's resolutions, thereby rejecting Coast's demands.

Rasteh said he believes that FirstGroup's board always felt "personally attacked" by Coast's intentions. He further argued the company's board of directors was not motivated enough to create value for investors, and instead was trying to "teach us a lesson".

"We consistently engage on a variety of topics with all our major shareholders including Coast Capital, and have carefully considered all of their proposals over time," FirstGroup's spokesperson told this news service. The sale of FirstGroup's North American contract businesses for USD 4.6bn represents a full strategic value that looks beyond the pandemic and reflects their high-quality nature, the spokesperson added.

by Divya Grover

Five quick facts about Coast Capital:

- Coast Capital's formation was predated by an SPV called White Eagle.
- The fund takes a private-equity approach to invest in public companies.
- Its NAV was up 21% in 2019 and 58% in 2020.
- Stewardship consists of two members focused on environmental considerations, and 20 for governance and social considerations.
- Coast launched its gold and inflation focused fund in October last year.

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EMEA: 10 Queen Street Place, London, EC4R 1BE, United Kingdom Tel: +44 (0)20 3741 1000

Americas: 330 Hudson Street, 4th Floor, New York, NY 10013 USA Tel: +1 212 686 5606

APAC: Suite 1602-06, Grand Millennium Plaza, 181 Queen's Road, Central, Hong Kong Tel: +852 2158 9790