

Case study

Gibson Energy

Strategy

Issue: We believed that Gibson Energy was too diversified and, in our assessment, needed to undertake a strategic review and restructure its portfolio of assets by selling non-core businesses and becoming more focused on infrastructure.

Objective: To persuade the company to divest its non-core activities and thus gain a subsequent re-rating of its shares, as a result of becoming a pure infrastructure company with high-quality recurring cashflows.

Action: Having commenced our engagement in 2017, M&G continued to engage with the company throughout 2018.

Outcome: A new CEO was appointed in the second half of 2017 who commenced a strategic review and announced the sale of several non-core businesses, including the US Environmental Services business, the Canadian trucking business and other smaller business units.

Background: In 2017, M&G published a public letter discussing our view of oil & gas integrated service provider Gibson Energy. This outlined specific measures it should take to improve the business and requested

that the company undertakes a strategic review of all options to maximise value. The letter was the culmination of a long-term private dialogue between us and both the chairman and the board of directors (whom we had visited and presented to earlier in the year). We had concerns about executive management, and some of the strategic decisions that had been made since its IPO, and believed that the company had been too slow to respond to our concerns. We have a strong preference for keeping our views private, but in this case the size of our position and the strength of our view led us to publish the letter. Gibson subsequently published a reply and we closely monitored the company's actions to see whether it was changing its behaviour.

In 2018, M&G continued its engagement with the company, having a number of discussions with the board and management team. During Q1 2018, Gibson announced progress on a key step that we had been encouraging – the disposal of part of its US Environmental Services business. This business area has, in our view, contributed to the company trading on a low valuation relative to peers, and we are hopeful that this will trigger a positive revaluation of the company's prospects.

