

Williams Companies Has a Corvex Discount

Investors in ADT keenly remember the results of Keith Meister's stewardship of their company, summarized here in our February newsletter. Keith Meister, who runs Corvex Management, LP, invested in ADT, made a forceful case for the stock being undervalued and took a board seat. With the benefit of information garnered in that role he one day exited his position, humiliating ADT's guileless CEO in the process by persuading him to repurchase Corvex's stake at a price it has never subsequently seen. Today ADT trades at less than half the price Corvex assessed it to be worth less than two years ago.

Williams Companies (WMB), today welcomes Keith Meister and an affiliated investor Eric Mandelblatt (manager of Soroban Master Fund, LP) on to their board. Corvex had recently disclosed along with Soroban ownership of around 10%% of WMB (including options). WMB investors (ourselves included, for we have owned WMB since well before Corvex's announced involvement) are now wondering whether (or perhaps, when) Corvex will "pull an ADT" and use their vantage point on the board to time their exit. For nobody should assume they are long term investors. Striving for long term capital gains tax treatment is not an issue for an offshore hedge fund.

In the ADT movie, achieving a board seat was a step in the elaborate dance between Meister and Gursahaney (ADT's hapless CEO) that ultimately ended with Corvex's abrupt loss of love for the company. As a WMB investor, we liked the company before Corvex showed up, and think perhaps we might be better served if he had focused elsewhere. Given Corvex's history, WMB's stock today is weaker as investors price in a modest "Corvex Discount", the price concession necessary to reflect the inclusion on WMB's board of one who does not accept a

fiduciary obligation to all the shareholders of WMB, but only the investors in Corvex.

We think WMB is a good investment. We now have to include an assessment of when Corvex will switch dance partners and whether his moves will ultimately be value destroying (as they were for ADT when the company vastly overpaid to buy back its stock). Much depends on whether WMB's CEO Alan Armstrong is a good poker player, for his skills will at some point be on display through the company's public moves with their new best friend activist investor. We are, for now, partners with Corvex. WMB remains an attractively priced investment. But we are listening carefully for the music to stop and counting the remaining chairs. This is what investing is like when an activist shows up.