



What's Up With Talisman? Billionaire Shareholder Activist Carl Icahn is What

Description

We'd noticed a couple days ago that shares of **Talisman** (TSX: TLM, NYSE:TLM) had been on a roll and [questioned the move](#) as nothing overly material had been released. Well, the company's shares increased another 4% yesterday during market hours on strong volume of over 5 million shares. And after the market close, the announcement came: billionaire shareholder activist Carl Icahn said that he has purchased over 60 million shares of the company and may seek a seat on the board. Shares surged after the market closed and are up again this morning.

Creating Shareholder Value

Carl Icahn is well known for taking a large enough position in troubled companies to secure a seat on the board and then swooping down on management in order to engineer big turnaround stories. History tells us that we should expect him to push for big personnel and operational changes that could send shares higher. At least it tells us that Icahn believes Talisman is undervalued. And judging by his track record, Talisman may be poised for big share price gains.

One example of his work is **Netflix**. In January 2012 the market discovered that he had a 10% stake in the company. When he bought the shares they were trading at \$60, they are now trading at almost \$320. At the time of the purchase, Icahn was quoted as saying that the company was undervalued and would make a great acquisition for a number of companies. He also had plans to tackle corporate governance.

Icahn was also involved in a shake-up at **Chesapeake Energy**, where in 2012 he was involved in the departure of its big spender CEO and co-founder Aubrey McClendon, and the selling off of assets to drive liquidity. Icahn revealed that he bought his shares in Chesapeake in May 2012, and since then, the shares have increased over 70%.

Shake-Up at Talisman

In a filing with the U.S. Securities and Exchange Commission, Icahn said that he intended to speak with Talisman's management to discuss strategic alternatives for the company, including asset sales or restructuring.

It is no secret that Talisman has been looking for a way out of its troubles, after years of struggling with negative free cash flow and a deteriorating balance sheet. The company has been actively looking to sell some of its assets in an attempt to raise cash and focus its operations. Maybe Carl Icahn can help force a change that management has not been willing to consider for whatever reason. Outside perspective and outside pressure.

Bottom Line

While Carl Icahn's investment does not guarantee a turnaround, it definitely increases the probability. At the very least, Carl Icahn's investment gives validity to the belief that the shares are undervalued and that there is value that can be extracted with the right strategy. And with the market's reaction to this news, investors can enjoy the ride in the meantime.

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Fool contributor Karen Thomas owns shares of Talisman. David Gardner owns shares of Netflix. The Motley Fool owns shares of Netflix.

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