

PREMIUM

## Blue Harbour's Double Windfall

The activist hedge fund firm is off to a very strong year so far.

By Stephen Taub July 08, 2019



Clifton Robbins (David Paul Morris/Bloomberg)

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What a week for Blue Harbour Group.

Over a few days, two of the activist hedge fund firm's sizable holdings agreed to be acquired. The

deals capped off a very strong first half of the year for the firm's two main hedge funds.

On July 1, Genesee & Wyoming Railroad signed on to a takeover by Brookfield Asset Management and GIC for \$112 per share in cash, totaling \$8.4 billion.

On June 26, U.K.-based auto auction giant BCA Marketplace struck an acquisition deal with private equity firm TDR Capital for 243 pence per share, or nearly \$2.4 billion.

Blue Harbour, founded by Clifton Robbins, currently manages \$2.2 billion.

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The firm is enjoying a very strong year. Active Ownership Partners, its long-only strategy, surged 8.3 percent in June and is now up 21 percent for the year, according to a person familiar with the results. The long-short fund Strategic Value Partners climbed 7 percent in June and 18.9 percent for the year. These results do not include a pop in the price of Genesee & Wyoming since that deal was announced.

Genesee & Wyoming is one of Blue Harbour's largest long positions, with about two million shares according to a press release from the firm announcing the deal. That is more than the 1.776 million shares it owned at the end of the first quarter, according to the most recent regulatory filing. Altogether, Blue Harbour owns about 4 percent of the company's total shares outstanding, the press release said.

The hedge fund firm began building its position in the stock in the second quarter of 2018 when Genesee & Wyoming was trading around \$75 per share. "We invested in Genesee & Wyoming because we believed its share price did not reflect its unique combination of short-line railroad

market leadership, powerful cash generation, strong balance sheet, and experienced management team," said Robb LeMasters, a Blue Harbour managing director, in the press release.

TDR Capital paid a roughly 25 percent premium to acquire BCA Marketplace, owner of car-auction website webuyanycar.com. Blue Harbour owns 5 percent of the shares, according to a press release announcing the deal. Since BCA Marketplace does not trade on a U.S. stock exchange, Blue Harbour's position does not appear in its quarterly 13F filings.

The hedge fund firm kept adding to its position in the first quarter and second quarter of this year as the stock price declined, according to an individual familiar with the matter.

Blue Harbour had previously invested in BCA in April 2018 and sold after Apax Partners made a bid to acquire BCA, which rejected the offer. Blue Harbour then got back into the stock beginning in the fourth quarter of 2018. BCA has four businesses and Blue Harbour team members have long felt it was undervalued based on a sum-of-the-parts analysis, according to a person familiar with its investment.

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