



Blackwells opens new front in Colony fight

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Blackwells Capital has urged Colony Credit Real Estate to consider seeking an independent manager for its portfolio in the faces of attempts to “internalize” the roles currently performed by parent company Colony Capital. The activist, which is running a proxy contest at Colony Capital, called for a new management team at Colony Credit to “generate sustainable and attractive shareholder returns” at the REIT.

In November, Colony Capital proposed transferring management of \$2.5 billion in private credit funds to Colony Credit. This enraged Blackwells, which believes that the REIT needs a new team to win back investor confidence and address the current “significant” discount to book value.

Blackwells is a shareholder in Colony Credit and owns a 1.8% stake in Colony Capital, which in turn controls 37% of Colony Credit and serves as its external manager.

In a Monday letter to Colony Credit’s board, the activist decried the firm’s underperformance, impairments and dividend cuts since its February 2018 initial public offering.

Colony Credit’s performance is “a total fiasco,” coming short of its own stated objective and its publicly traded peers, the letter signed by Blackwells’ Jason Aintabi added. Since its IPO, Colony Credit has taken more impairment charges than all other public commercial real estate credit REITs, combined,” the activist said, blaming the team led by CEO Kevin Traenkle and Colony Capital boss Tom Barrack for this. The REIT’s shares have lost 35% since its IPO, in “marked contrast to strong positive returns from public peers,” the activist noted.

Until a new management team is installed and the stock’s current 25% discount to book value is eliminated, the activist said Colony Credit “should put in place a moratorium on any loans or investments,” and capital should be “solely allocated to accretive share repurchases.”

Blackwells added that existing entanglements between the boards of the two firms should not impede the management change, which could include an agreement with an external manager.

The letter alleged that a current director of Colony Credit acknowledged that a new CEO may be necessary. Following this, Blackwells arranged an interview with a potential suitor for the top role but said the Colony Credit board member called off the meeting “at the last moment.”

Blackwells is also pushing for changes at Colony Capital, attempting to install a five-person slate and oust Barrack, the firm’s chairman and CEO. The company already added two directors at the behest of Blackwells in February, following a cooperation agreement between the two sides.

Shares in Colony Credit traded up 1.4% at 11:45 a.m. EST on Monday.