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BUSINESS

Avon Gives Activist Group Board Seat, Avoiding Proxy Fight

Barington Capital Group's James Mitarotonda is expected to get a board seat for agreeing to support management



Avon Products Inc.'s new CEO has pledged to modernize the company's business model, which still relies on door-to-door sales representatives. PHOTO: JOHN TAGGART/BLOOMBERG NEWS

By *Cara Lombardo*

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Avon Products Inc. [AVP 2.15% ▲](#) plans to cede a board seat to an activist investor, the company said Monday, as part of a deal that will help the struggling beauty company avoid a proxy fight.

James Mitarotonda of Barington Capital Group LP is expected to get a board seat in exchange for an agreement to support management. In connection with the agreement, Barington and its allies have agreed to support the board's nominees rather than nominate their own as they told the company they intended to do earlier this month.

Barington, Shah Capital and NuOrion Partners have been pushing Avon to consider selling part or all of itself. The firms and their allies own a 3.4% stake in Avon, according to a regulatory filing Monday.

The group was also frustrated with a slow-moving search for a replacement for former Chief Executive Sheri McCoy, who staged several unsuccessful turnaround efforts over her five years in charge.

Jan Zijderveld, a former Unilever PLC executive, replaced Ms. McCoy in February and has pledged to modernize the company's business model, which still relies on door-to-door sales representatives. The group of investors said at the time they were pleased the company had found a new leader but would continue to press for board and operational changes.

Avon is based in London and operates around the globe, though not in the U.S. Avon's North American business is now a separate entity that is controlled by private-equity firm Cerberus

Capital Management, which also has members on Avon's board.

Avon swung to a \$92 million profit in its latest quarter, helped by a \$30 million tax benefit stemming from the new U.S. tax law. The company lost \$11 million in the year-earlier period. Avon shares, which closed Monday trading at \$2.84, are down 33% over the past 12 months.

Mr. Zijderveld has said Avon has been slow to adapt to online sales, but insists direct selling is still relevant. "In a world where people are thinking they don't trust big companies, big governments and big brands," they trust the woman down the road, he told investors on his first Avon earnings call last month.

In addition to cutting costs, Mr. Zijderveld has said he plans to focus on educating representatives and equipping them with better products so customers view them more as consultants than distributors.

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