

CASE: WHAT WOULD YOU DO?

Activist Shareholders Threaten the Company's Strategic / Growth Plans.

Ellen Richstone; Board Director ; Leonard Wood, Goodwin Procter, LLP

COMPANY: RIDGEWAY TECHNOLOGY INTERNATIONAL, INC.

COMPANY BACKGROUND: Ridgeway Technology International, Inc. is a mid-cap public technology company headquarters in the Midwest. Founded in 2002, the company provides technology solutions that help enterprise customers manage complex operational and data-intensive workflows. Ridgeway's business includes hardware, software and services that are commonly sold together as part of integrated solutions for enterprise customers. Ridgeway went public in 2007 and has since expanded from a U.S.-focused technology provider into a global business with customers across North America, Europe and Asia. The company has historically been known for steady growth, a conservative balance sheet and long-standing customer relationships in industrial, commercial and technology-enabled end markets.

FINANCIAL AND OPERATIONAL SITUATION:

Ridgeway has grown revenue at double-digit annual rates for most of the period from 2010 through 2022. This growth has been a mixture of organic growth, expansion of the core business and selective international growth. Between 2022 and 2024, revenue growth slowed to an 8-10% annual rate, while the company maintained positive cash flow from operations and positive adjusted EBITDA.

In 2025, the board approved management's plan to make two strategic investments for future growth: (1) a new product line using AI as a tool and (2) an acquisition of a small private technology company to complement Ridgeway's existing products and bring in new customers globally. Management has described these investments as necessary to protect Ridgeway's long-term competitive position, but the investments have not yet produced measurable incremental revenue growth or clear evidence of strategic payoff.

To fund these investments while preserving operating flexibility, the company used a small amount of debt in 2025 for the first time in its history. While cash flow from operations remained positive, the company's overall cash flow was negative after taking into account acquisition-related spending and investment in the new AI product line. Given the company's strong cash position, management does not expect that any additional debt will be needed over the next 1-2 years for working capital purposes.

OWNERSHIP STRUCTURE:

Long term institutional investor #1 (largest holder):	9%
Long term institutional investor #2 (second largest holder):	9%
Founder:	8% (no longer on the board) ¹
Management and Board:	5%

The founder is no longer on board. The two long-term investors have historically been supportive of the company but are not subject to voting agreements.

BOARD MAKEUP:

The board comprises seven independent directors and the CEO. None are the founders and no one on the board owns more than 2% of the stock. Of the 7 independent directors, three have tenures of 7, 10 and 12 years, and 4 have been on the board for less than 4 years. Most of the directors have been buying stock on the open market, when permitted, in addition to RSUs granted to them over the years as part of their director compensation. Although several directors have public company, finance and governance experience, only a limited number have recent operating experience in AI-enabled products, enterprise software or technology M&A.

The board is elected annually and the next annual meeting is in seven months.

STOCK PERFORMANCE/ DEBT / LIQUIDITY:

1. General stock performance 2010-2022, 2022-2024 and currently:

The stock price rose consistently from 2010-2022, generally in line with the Russell 3000. From 2022-2024, the stock price outperformed the Russell 3000 due to the company's strong balance sheet and continued growth above the company's competitors, albeit slower than in prior years. In 2025 and early 2026, the stock price has been largely flat, fluctuating approximately 5% in either direction, as the market tries to understand whether the AI investment and acquisition will create value or instead signal that the core business is slowing.

2. Dividend/stock buyback history and current capacity:

The company has never issued a dividend or bought back stock. Given the company's strong cash position and limited leverage, some investors believe the company has capacity to return capital, while management believes the company should preserve flexibility to fund growth initiatives.

3. Capital structure:

The company had never used debt until the small amount incurred in 2025. Liquidity and cash position remain strong. Debt was used in 2025 to preserve operating flexibility while funding the acquisition and AI product investment. Management believes the balance sheet remains conservative, but the use of debt and negative overall cash flow have attracted investor attention because they represent a change from the company's historic financial profile.

TWO SHAREHOLDERS WITH ACTIVIST HISTORY ARE REACHING OUT

Ridgeway's shareholders have historically been very supportive of the company. Two more recent shareholders, however, have begun stepping up their engagement with the company.

Shareholder A holds approximately 4.5% of the stock. While not one of the most headline-grabbing activists, it has led approximately 20 public campaigns in 10 years, including several proxy fights for board seats. It has a reputation for aggressive investor messaging and strong public accusations. The holder acquired its shares in recent months and its position is not publicly known.

Shareholder B holds 5.5% of the stock. While not a full-time activist, it has a demonstrated activist history. In nearly 20 public campaigns in 10 years, it has made its case for change directly to boards and shareholders through press releases. It has run public campaigns pressing for shareholders to vote for or against proposed transactions, for dissident nominees, and against executive compensation. It has rarely nominated dissident directors or run proxy contests itself, and the last time it did that was four years ago. It specializes in technology investing. Shareholder B's position is publicly known through its Schedule 13G and Form 13 disclosure.

Both have recently expressed concerns and signaled interest in changes at the company.

Shareholder A has only spoken to the company once, with the head of IR, and expressed that the board needs stronger capital allocation discipline, technology-sector operating expertise, and more accountability for the AI and acquisition investments. While not demanding board seats, Shareholder A mentioned it has spoken to two individuals with these skills who have expressed willingness to join the board. The shareholder also expressed some doubts about the CEO's ability to manage the Company's strategy and his openness to strategic alternatives.

Shareholder B has met the CFO and IR chief quarterly for several quarters and the calls until recently were uneventful. Recently Shareholder B approached the CFO at conference reception and, emboldened by an Old Fashioned, expressed concerns that were similar to those of Shareholder A. He asked, for a second time, why the company does not explore strategic alternatives. Shareholder B expressed that Ridgeway's strategic value to a larger technology company may exceed the value achievable as a standalone public company, especially given slowing growth, first-time debt usage, no capital return history and uncertainty around the company's new investment plan.

Shareholders A and B separately sent emails, one week apart, to the head of IR requesting a meeting with the CEO and Chair. The head of IR relayed the requests to management, which relayed them to the board.

So far, neither shareholder has gone public with its concerns. It is not clear whether the shareholders are coordinating or whether they have contacted other stockholders.

YOU ARE AN INDEPENDENT BOARD DIRECTOR OF THIS PUBLIC COMPANY:

The CEO, Chair and general counsel have conferred, and the Chair has called a special meeting of the Board by Zoom to discuss the recent shareholder outreach and related matters.

The Board is now meeting--What should the Board do?

Initial questions on the table:

1. What is the company's position, if any, on the concerns raised by the two shareholders?
2. What are the shareholders' tactical options if one or both of them "go activist"?
3. How should the company assess its vulnerability to activism?
4. Who, if anyone, should meet with the shareholders, and when?
5. If the company takes a meeting, what should be the approach to the meeting?
6. What role should the Board play in overseeing the company's response?
7. How should directors expect these engagements to play out if the shareholders are not satisfied?
8. Should the company consider steps to address shareholder concerns in the short term, or should it stay focused on its existing plan?
9. Should the company be concerned about other constituencies and stakeholders, in addition to shareholders?