



M & A COMMUNICATION

Get the Most Out of It

Companies must be prepared for all communication contingencies during a takeover attempt

Communications can determine the success or failure of an M&A transaction. Senior management must prepare for the demands on all key stakeholders by designing a strategy long before news of the deal hits the market.

By Jörg Graf zu Dohna

The meltdown of the debt market has significantly reduced external financing facilities for deals. And several highly publicised, reckless transactions in recent years have raised awareness among top management that they will be held responsible by shareholders should a deal go bad, especially in bet-the-company cases. As a result, the communications strategy can be of crucial importance in deciding whether a deal fails or succeeds. The strategy must be wisely applied throughout the process – from protecting the company from unguarded leaks to winning share-

holders for approval all the way to integrating the distinct cultures of the two formerly separate organisations.

Little Value Added

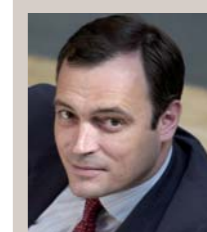
Suppose your company has decided to buy another one. You've hired experts to value the new business and handle the due diligence. But did you also define how to communicate the acquisition to the media, not to mention to your employees, customers and vendors or key opinion makers, politicians and regulators? If not, consider this: a study by The Boston Consulting Group found that in nearly two-thirds of all M&A cases share prices fell after the deal had been announced. Moreover, one year after the announcement, deals that had initially been criticised and continued to meet with investor scepticism had posted a negative return of 25 percent. By contrast, deals that had initially been received favourably yielded positive returns of 33 percent on average. This demonstrates the role M&A communications play in bringing a deal to fruition.

But how can a company prepare a sound M&A communications strategy? Though there are no identical cases, there are usually three M&A phases in which distinct actions must be taken: the preparation phase, the announcement and public phase and the post-merger-integration phase.

The Larger Package

The press release to announce the deal on day X is just a small part of the larger communication package during the preparation phase. Public perception depends on a far broader communications strategy. Tapping the impartiality and industry expertise of external consultants can be pivotal in this respect. This should lead to a set of clear, persuasive messages that explain how the transaction adds value to the company and its owners. This message platform, or story board, then serves as a basis for developing communication materials such as press releases, investor presentations and stakeholder letters.

Thorough discussions are necessary to anticipate all possible deal outcomes, including worst-case scenarios, and to lay out a timetable of events leading up to and following the transaction. As a rule, a leak is not a deal breaker, but you need to know how to handle it. The risk of leaks can be minimised by informing staff and the press at the same time and establishing an internal information channel. Preparation also reduces the risk of ending up "speechless" should the deal take an unexpected turn. A question and answer (Q&A) document for all managers at the operational level is essential for implementing a one-voice policy. It helps produce an immediate, uni-



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form response to inquiries or criticism and the torrent of questions that the announcement is bound to set off.

Tracking Milestones

A public announcement is the ideal way of addressing all stakeholders and outlining the reasons for the deal once the public phase begins. Providing detailed briefings to key newswires and leading newspapers is important as is making time for the CEO to answer specific questions. Until final closing of the deal, the transaction parties are usually under heavy media scrutiny. Despite thorough preparation, however, maintaining a flexible approach is imperative during any M&A process. This holds true even more for a hostile takeover.

M&A communications often stop after the successful closing of the deal, or, at best, are downsized to internal communications. Though this may satisfy employees, it is a wasted opportunity to continue positioning the company. Instead, companies should use the chance to address the following issues: What do we do with the brands? Is our strategy paying off? Are synergies as great as expected? →

Getting It Right

While many companies mishandle their M&A communications, those that get it right stand to reap big rewards for their shareholders – from the very day of the announcement and for years to come. A prime example of this is the formal announcement made by Linde, the international industrial gas and engineering company, about its €12.4 billion acquisition of BOC Group in September 2006. Linde had to overcome significant communication problems before the deal. Ever since 2003, when Wolfgang Reitzle became Linde CEO, a reverse takeover had seemed more likely, especially since BOC's market capitalisation was significantly higher. But Reitzle convinced his shareholders to resist potential offers, focused Linde on its core business, implemented a value-creating strategy and succeeded in raising market capitalisation. Linde then offered to pay a 39 percent premium on BOC shares. Investors received this announcement very positively: Linde shares rose more than 6 percent for several days following the news and continued to outperform competitors' shares throughout the transaction. Linde's announcement was very well prepared. It was accompanied by a de-

tailed press release and an investor and analyst presentation complete with an extended conference call. Key media were briefed individually. The company also sent special communication materials to employees and customers to address potential concerns. Additional materials outlining the deal synergies were posted on the corporate Web site. In the weeks that followed, close monitoring of media coverage identified every pertinent issue, which was then instantly addressed.

Targeted Communication

As a communication tool, the investor presentation clarified what investors and employees could expect from the deal. The presentation had three elements: a clear case study as well as a list of realistic and verifiable synergy goals, and it underlined the credibility of the existing management board. This made it easy for the target audience to see how the deal's 39 percent premium, which totalled €3.6 billion, could be justified by the increase in operating profits, improvement of capital efficiency and reduction of tax burden. Clearly communicating about the new leadership was another successful tactic. The announce-

ment that the new executive board would include two top BOC managers was handled effectively. Articulate, transparent communication from the board about the planned integration of BOC and its brands into Linde and the resulting additional growth buttressed this message.

Through its meticulous communications strategy, Linde was able to persuasively present expected synergies. Its market capitalisation almost doubled from €8.5 billion at the time of the offer (Aug. 30, 2006) to €16.2 billion at the end of June 2008.

An Integral Part

A carefully designed communications strategy is an integral part of any M&A process. Ignoring its importance can be costly – both in terms of company reputation and financial performance. Companies should position themselves to reach out to all key stakeholders in their key markets in order to get their message across. Only a comprehensive approach can turn the soft factors into hard, tangible assets. And this does not stop at the closing date. The communications team should continue to ensure that internal and external perceptions reflect the company's new value. ←

The three phases of M&A communications

Preparation phase	Public phase	Post-merger integration
<ul style="list-style-type: none"> • M&A communications strategy • Scenario planning and contingency documents • Timetable aligned with overall M&A strategy • Message platform/storyboard with key messages and proof points • Identification of key journalists • Analysis of key stakeholders • Preparation of press releases, internal memos, client letters, etc. • Corporate Web site and intranet • Campaign for retail investors 	<ul style="list-style-type: none"> • Announcement on day X • Handling of media and other enquiries • Communication to partners, key clients and suppliers • Media briefings • Internal communications (CEO letter, town hall meeting, etc.) • Third-party endorsement • Support during signing and closing • Issues management • Retail campaign (if necessary) • Media monitoring 	<ul style="list-style-type: none"> • Repositioning of new company • Media briefings on integration milestones • CEO programme • Roll-out of integration programme • Audit of internal media channels and selection of best practice • Progress reports • Issues management

Source: CNC-Communications & Network Consulting