

M&As are back: it is time for companies to get serious about defence, or attack.

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After a quiet 12 months for mergers and acquisitions: M&As are back. In one September day alone, the Wall Street Journal speculated about more than US\$37bn worth of transactions, first and foremost Kraft's hostile takeover bid for Cadbury's - a transaction which is likely to play-out in the newspapers for months, with comment from management, shareholders, analysts and many other commentators.

Unquestionably in hostile takeover situations, strong public relations support is crucial: a hostile takeover is in effect a referendum among investors on which management they trust to deliver higher future returns. It is the role of financial PR to build & manage the profile of top management among investors and to articulate the growth strategy and outlook. Whether facing a friendly or hostile M&A situation, this is absolutely critical.

The recent acquisition of US based Pilgrim's Pride by Brazilian JBS - creating the no.1 global meat producer - provides an excellent case study. Over the last 12 months, media have reported on the company's intention to pursue growth beyond domestic borders, through acquisition: the logic has been repeated, time and again. In the last six months key trade and business media have also labelled JBS as turnaround specialists, proven at unlocking value from distressed businesses. Then on September 2nd the Brazilian media and the Wall Street Journal simultaneously reported rumours of a potential transaction between JBS and Pilgrim's Pride, which at that time was in Chapter 11 bankruptcy proceedings. Information came from "people familiar with the deal", forcing JBS management to state that no transaction had yet been completed. In the days following these reports analysts and ratings agencies, including Citibank, UBS and Moody's, commented positively on the potential transaction. Leading US anti-trust lawyers were also quoted as saying the transaction would have no difficulty in securing regulatory approval. On September 16th, the deal was announced and received positively by the markets.

This could have been a fortunate, coincidental series of events - an uncontrolled leak that softened the way for the announcement, positive endorsement from key third parties; we have no inside knowledge of the transaction. Regardless, it illustrates best practice in a number of key respects - notably the long-term profiling and positioning providing upfront rationale for the transaction, and intelligent hour by hour media management at the time of the bid, juggling the requirement to cultivate positive opinion, while adhering to strict regulations on non-disclosure.

As was said at the time of the much studied acquisition of leisure group Forte by the broadcast and leisure conglomerate Granada - "In any takeover bid, investors, analysts and even journalists will quickly take a view as to who should win, and stick with it" -

In Brazil hostile takeovers such as Forte/Granada or Kraft/Cadbury are not part of the corporate landscape - the number of public companies has been too limited and shareholding of those that are public too closely held. But this is starting to change and according to JP Morgan and others, Brazilian companies will have to get used to a new reality.

Companies are starting to prepare for the reality through so called "poison pill" clauses, creating different classes of voting rights and ensuring acquisition attempts trigger mandatory offerings at pre-agreed prices; a sensible precaution or slippery slope in corporate governance, depending on your perspective.

One step all these companies should be taking - whether looking to make acquisitions, protect from hostile bids, or simply manage the share-price more effectively, is reviewing & upgrading financial PR and aligning corporate communications with headline corporate objectives. It could be critical to survival.