



## Merge & Purge: Understanding Deal IR Strategies

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**Panelists:** Chris Jakubik, CFA, Vice President, Investor Relations, Kraft Foods, Inc.  
Jeffrey M. Dalebroux, Attorney at Law, Dykema Gossett PLLC

**Moderator:** Steve Carr, Managing Director, Dresner Corporate Services

### Key Takeaways

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- The M&A market is likely to grow in 2013 due to plentiful capital at major corporations; the availability of cheap financing; potential tax law changes; regulatory and structural changes that favor consolidation in major industries, such as healthcare, financial services and energy; and dissipation of recessionary fears, said Jeffrey Dalebroux, citing Dykema's 8th annual [survey](#) of U.S. M&A professionals, investment bankers, private equity firms and other relevant sources.
- Survey respondents also mentioned M&A obstacles, such as an uncertain tax and political environment; a lack of quality M&A targets; exaggerated valuations; softness of the economy; and looming fears of the next potential bump in the road, such as the European debt crisis, North Korea or natural catastrophes.
- Moving the discussion from the theoretical to the concrete, Chris Jakubik discussed various Kraft mergers and acquisitions, including Kraft Foods' recent [split](#) into two separate companies (Kraft Foods Group and Mondelez). In this situation, it was a challenge to deal with disclosure limitations. Analysts needed to understand each entity's potential earnings power, but the company could not fully disclose various pro forma P&L line items. Pre-spin, it also was a challenge to wear "three hats" in representing the "old" company and each of the "new" companies.
- On the positive side, effective communication of the spinoff's rationale and the different operating models of the two companies led to stronger investor support for the transaction. The spinoff also changed the shareholder base for both Kraft Foods Group and Mondelez, improving valuations by enabling each firm to appeal more specifically to income or growth investors.
- In terms of lessons learned, Jakubik said he would have preferred to a tighter timeline between announcement and deal conclusion. Kraft also chose to discontinue guidance, which he said could have been communicated better but was welcomed by the "smart buy side" as a factor that gives an edge to analysts who work harder.
- M&A brings together various parties with vested interests: bankers, outside legal and PR consultants, CFOs, board members, activists. IROs have to navigate a wide range of varying views. It's important to remain focused on the major outcomes, such as future capital structure and pension decisions.

– Michelle Therrien