The IR Puzzle: PIECING IT TOGETHER

NIRI-Chicago 2014 – 2015

Communicating the Deal: Tips from the Trenches

May 14, 2015

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Key Takeaways

- **M&A is on the increase – and affecting Chicago-area companies and IROs.** The last record year, 2007, had $4.1 trillion in transactions, and 2015 looks to exceed that record. Factors include today's low interest rates, consolidation in many industries, hungry acquiring companies willing to pay hefty premiums, and lucrative change-in-control compensation packages for the CEOs of acquired firms. Chicago-area companies in play and transactions completed include Heinz/Kraft; AbbVie/Pharmacylics; Hospira/Pfizer; United Health/Catamaran and Integrys/Wisconsin Energy.
- **IR must be integrally involved in the transaction team to represent investor interests.** As IRO, you know shareholders' perspectives and interests best. Of course, your objective – creating long-term shareholder value – may not be aligned with those of the bankers, lawyers and proxy solicitors on the transaction team, who may simply want to get the deal done. It's not unlikely that you feel you're not on an equal footing because they do M&A all the time, while you may be involved in only one or two transactions during your career. Despite your relative lack of experience, you can add value by representing the shareholder side of the equation and setting realistic expectations. If you *don't* have a seat at the table, your company may be inappropriately positioned, valuations may become skewed – and post-deal, you're the one coping with dashed investor expectations.
- **Make sure your messages to various stakeholder groups are consistent.** Consistency of messaging fosters your company's credibility among the multiple stakeholder groups that see and hear transaction communications. Employees are an especially critical audience and may be ultra-sensitive about what is being communicated. Also consider vendors and large customers.
- **Limit the members of senior management with external communication roles.** Reduce the risk of inconsistent messaging by keeping the number of "public-facing" members of senior management as limited as possible – both before and after the transaction concludes. Focus your communication about the deal framework at a high level and balance the positive and negative aspects.
- **Not all mergers are alike.** During the time between the announcement and close of a merger – which can be months – how you operate depends a great deal on the type of transaction. If it's a merger of equals, both companies tend to tell their stories and operate as usual. When one of the parties is much larger and is acquiring the other, the target company usually takes a back seat and lets the acquiring company drive the communications.
- **Enlist the lawyers.** Your lawyers understand all aspects of the transaction very well. They can help keep your team on track on the various requirements, timelines and logistics.
- **The antitrust environment is evolving.** The emergence of newer channels is changing the antitrust environment. For example, the FTC rejected the merger of Office Depot and Staples in 1997 on the grounds that they were both major players in their industry – but allowed the merger of Office Depot and OfficeMax in 2013 because the competitive situation had changed, with the advent of more e-businesses and especially due to Amazon's breadth of offerings.

– Ruth Venning