THE PUBLIC RELATIONS STRATEGIST

PR Professionals as Assets:

Communication Is Key During Distressed Mergers and Acquisitions

BY DAVID SILVER, APR

Corporate America continues to struggle in 2009, with the financial system experiencing chaotic swings. The consumer credit market is tattered. Many financial institutions remain clogged with bad loans and other distressed assets as American executives and employees wonder what the future holds.

We are living in a new public-private paradigm with corporate icons such as Bear Stearns, Merrill Lynch and Citigroup having to be rescued by a government bailout or taken over in a merger and acquisition by competitors for cents on the dollar. Even powerful buyout firms such as Kohlberg Kravis Roberts & Co., Bain Capital and THL Partners have seen their acquisitions go sour.

The importance of communication

Many variables drive mergers and acquisitions, especially in recessive markets. In 2009, several corporations will come to see mergers as alternatives to bankruptcy, and reorganization as an important exit strategy. In assessing the economics of an acquisition, many factors must be considered, such as irreconcilable conflicts, dilution of profitability from declining market shares and weak financial performance. But in this turbulent global marketplace, communications is a key indicator for a successful merger and acquisition.

"Communication is crucial in a distressed merger and acquisition situation, because you have a number of audiences who need to know what is happening, including customers, investors, employees, boards of directors and management," says Lindsey Alley, managing partner at Houlihan Lokey, the largest merger and acquisitions investment bank adviser for U.S. transactions up to $1.25 billion.

Working with attorneys and investment bankers, PR professionals can be tremendous assets in helping to develop communications strategies for the court of public opinion in a distraught merger or acquisition. Maintaining a transparent and consistent PR strategy can benefit all parties, especially both companies' employees. For a public or private company, establishing that the deal will be advantageous for everyone involved can be a huge asset.

The reputation of an acquirer pursuing a company is also significant, particularly in a stock transaction or with companies that are subject to litigation or regulatory approval. Target audiences are frequently anxious and should be kept informed as the deal progresses. Shareholders and employees are con-

stock illustration

Corporate America continues to struggle in 2009, with the financial system experiencing chaotic swings.

cerned about the background and history of the acquirer, whose performance will determine the company's future value.

Utilizing the media

In any takeover contest, good press helps motivated teams of lawyers and investment bankers remain involved in the agreement.

Contrary to popular opinion, the courts keep a tab on the media for certain cases. The markets can react in a disciplinary manner if a company fails to merge with a suitor that would make the company stronger. Take the case study of Microsoft's pursuit of Yahoo! as an example.

Last May, Microsoft offered Yahoo! $33 per share, and Yahoo! countered with $37 per share. Neither side was willing to compromise, but Microsoft initiated a PR campaign to try to influence Yahoo! shareholders. Although many would say that this offer was not made because of a troubled situation, Yahoo! has seen its market share drop significantly because of Google. Microsoft understood that Yahoo! would be a stronger competitor with Microsoft as an ally, and the press followed the story daily. As the deal failed to go through and Yahoo! stock dropped to $11 per share, shareholders and investors became outraged and demanded that Jerry Yang step down as CEO.

In this marketplace, reporters, editors, producers and bloggers act as an interface among investors, shareholders and management. Consequently, the first major story about a transaction usually defines the debate in the court of public opinion. This has a large impact on institutional and individual investors. The rise of the financial media coincides with the long bull market and the interests of the baby boomers, who are often highly educated and seek to understand the markets. Therefore, understanding how to communicate with this group of investors and professionals is key in handling a merger and acquisition.

Reaching your audiences

From management's perspective, the primary goal is to maximize the opportunities for the company's story to be treated fairly by various media channels. It is imperative to cultivate relationships with journalists months before the company is involved in an acquisition. Provide background materials with message points about the deal to reporters who are respected by their peers — like those at *The Wall Street Journal*, *Business Week* or CNBC. Once the story has been written or produced for a television segment, be open to the inevitable inquiry and follow-up questions from other media outlets. It is important that you are transparent with all of the information you give to the media. Remember, that first story is crucial.

Designate the CEO or CFO, not a low-level spokesperson, to field any questions from the media and public about the merger. Make sure that senior management can articulate and simplify the financial status of the company involved in the potential agreement. Credibility and trust are key — and in this era of the democratization of information, being proactive and open will score points with investors, shareholders, employees and the media. This is where the value of seasoned financial PR professionals will be seen and evaluated by senior management, employees and other companies watching the communications unfold. Make the media your ally. There is never a better time to create enormous goodwill for communications as in an environment of distressed mergers and acquisitions. ■

David Silver, APR, is president of Silver Public Relations, a financial PR and IR firm based in Los Angeles. Details: www.silverpr.com. He is 2009 chair of PRSA's Financial Communications Professional Interest Section.