MESSAGING IN MAKEOVERS & MERGERS

IROs share insights on how best to manage your company's story during rebranding initiatives and mergers.

BY APRYL MOTLEY

During almost any conversation with investor relations officers, individually or as a group, one topic is likely to be mentioned: the message. The company's story or message is the foundation upon which successful IR programs are built.

During one recent talk with an IRO, the conversation was about the role of IR during periods of significant corporate change, such as those that occur when companies rebrand or merge.

"It was our job to understand all the unique elements of the brand and make sure the message was communicated consistently and regularly," says Andrew Simanek, head of investor relations for Hewlett Packard Enterprises, which split from HP Inc. in November 2015.

In preparation for the split, HPE developed a new brand identity. "The other side (HP Inc.) kept the existing logo and brand whereas we wanted to signal elements of change," Simanek explains. Once the new brand identity had been solidified, the IR team worked in the broader financial community to communicate the company's strategy and investment thesis.

"You can't stick with what you had before," says Scott W. Dudley, Jr., managing director of investor relations for Spire Inc., of his company's corporate rebranding effort. "People know you've changed, and the brand has to reflect that.

In contrast to HPE's rebranding effort, which focused on one entity breaking apart from another, Spire's effort was driven by the need to "facilitate the integration of three different gas companies and align them under one corporate umbrella," according to Dudley. "After acquiring two other gas companies, we knew that our corporate name, which reflected the name of our legacy gas utility, needed to change to better reflect the growing company we had become," he says.

Integration and a coordinated effort are also key to maintaining consistent communication when companies merge. "Everything has to be coordinated; themes and messages have to be aligned," says Lori A. Hillman, IRC, now vice president of investor relations at PennyMac, of her experience as manager of investor relations and corporate communications at Health Net. During Hillman's 20-year tenure there, Health Net acquired several companies and then merged with Centene in March 2016.

One of the added challenges during a merger is that two IR teams, the incoming and outgoing ones, must work together through the transition, knowing one team will replace the other once the deal is complete. “The two teams need to be able to work together to ensure consistent messaging, but the acquiring company is leading the charge,” says David C. Calusdian, president and partner at Sharon Merrill Associates Inc.

While every company approaches these situations differently, IROs need to reach consensus in regard to the importance of consistency and relevancy when communicating with investors about these shifts in strategic direction.

IR INSIGHTS ON REBRANDING

Involve IR early and often. “If it’s truly going to be a redo of the brand and there’s something behind it like a corporate strategy shift, IR’s involvement is critically important for positioning the businesses and having investors understand how the rebranding fits into the overall vision for the company,” Dudley says. “IR is uniquely qualified to offer an opinion on this.”

Stay in the close connection with your marketing and communications teams. “That way you can really understand what the brand strands for and make sure that coincides with the story you’re telling investors,” Simanek advises. “Maintaining consistency and adhering to your new brand guidelines helps ensure that the rebranding initiative resonates and triggers a story in investors’ minds.”

Be very clear about the different messages you need to share with your partners, customers, and investors. “Investors have different opinions and concerns than customers do. It’s a very different approach,” Gannon stresses. “Be careful in a rebranding about how you target messages into those stakeholder groups. Our investors know we’re evolving our name to coincide with our expanded market share.”

Get on the Brand Wagon

“Our marketing/communications team drove the brand identity creation process,” Simanek notes, “which is most important to customers and employees, but IR provided input to ensure it resonated with the financial community.”

“IR’s job was to help investors understand what the brand meant. To accomplish this, we started to incorporate brand elements into the IR story six months before the split with HP occurred, which gave us a chance to preview it and get people warmed up to it. We did an IPO road show, so people fully understood the story and what the brand stood for.”

During rebranding effort at Popeyes® Louisiana Kitchen (formerly AFC Enterprises Inc.), its marketing, IR, and corporate communications worked closely together to ensure a similar result for the restaurant chain. Popeyes® Louisiana Kitchen is the franchisor and operator of Popeyes® restaurants. Rebecca Gardy, head of IR at the company from 2011-2014, describes the process this way: “The main objective was to leverage the company’s Louisiana heritage and signal to the financial community a clear focus on the Popeyes brand.”

“IR led the effort to ensure that messaging to key financial stakeholders—franchisees, investors, and analysts—stayed closely aligned. Changes to the brand were far-reaching, from a menu redesign and changes in the restaurant layout and fixtures to more financial aspects, including a new name and ticker symbol.” According to Gardy, now investor relations officer for the recent Dell spin-out, SecureWorks Corp., this was a well-orchestrated process that reflected the company’s core strategy and made a measurable impact on the company’s valuation.

Spire’s Dudley also stresses the importance of making sure investors and other stakeholders understand the strategic thinking behind a rebranding effort. “As the company was growing and expanding its geographic footprint through executing its strategy that included acquisitions, we needed to be creative and thoughtful about communicating that to stakeholders,” he says. “We didn’t want people to conclude that a name change was a reflection of a shift in strategy.”

The corporate communications group for Spire (then The Laclede Group), in conjunction with an outside firm, took the lead in methodically evaluating the brand equity of the corporate and gas utility names and working to define what the company’s

IR INSIGHTS ON MERGERS

Host a joint road show. "Both IR teams and CEOs go on the road and talk about why the deal makes sense," Hillman says. "If you're announcing a deal and both sides are in favor, why wouldn't you do a road show together to get out in the front of investor questions and concerns?

Plan your communication strategy to capture the value of the deal. "You've got to look at your internal audiences as well as your external audiences," Elsherbini says. "Companies should work on a communication plan with IR from the outset. They need to consider how the merger will be received by the investment community."

Try to anticipate what shareholder concerns might be about the new company. "It's a challenge for the acquiring company to understand the culture of the acquired company. That's the same for a combined IR team," Calusdian says. "For example, they need to be aware of activist shareholders who emerge because of the combined company."

vision and mission should be. Strategy is not the same as vision. According to Dudley, this process, in which he actively participated, took well over a year.

"One of the biggest audiences is our investors," Dudley observes. "I was on the internal core/advisory teams at different times during the rebranding process. From the IR perspective, the main question was, how does this help drive the success of the business? Will investors understand that the name change actually supports the strategy rather than being part of a shift in strategy"

"Having me at the table made it clear that we weren't just doing this as an exercise. We positioned the rebranding as a further step in our transformation as a company, so our investors understood the rebranding as supporting our efforts to integrate our gas utilities and align our organization. And they have responded well to the new brand. They consistently refer to us as Spire now."

The impetus for the decision by Workiva Inc. (formerly Webfilings) to launch a rebranding effort was similar. Essentially, the company had outgrown its original name. "We didn't sell software until 2010, and our solution was for SEC reporting," says Eileen Gannon, the company's vice president of corporate communications and investor relations. "More than 70 percent of public companies are our customers, and people started seeing how well the solution worked for collaborative work on documents that could all be linked back to the same data. People needed and wanted the solution for more than SEC filings, so the original name (Webfilings) seemed limiting."

The company's new tag line is "redefining the way enterprises work." It was developed to help communicate the message that the company, in Gannon's words, "was no longer a one-trick pony." Since both corporate communications and IR fall under her leadership, her entire team was laser-focused on the rebranding effort for 12 months. "We did everything in-house," she explains, which made sense strategically since the rebranding effort coincided with the company going public.

"When you're going from being a private company to being public, 100 percent of corporate communications is investor relations," Gannon says. "Rebranding was critical to telling investors our expansion story, which was essential to the success of the IPO."

For this reason, Gannon believes IR has to be at the table during any rebranding effort. "Sometimes companies forget to put IR at the table," she says. "But to be successful, they need to respect and have IR at the table on the ground floor of developing the messaging. In a day of complete transparency, IROs need to get in front of the messaging before investors do their own interpretation."

Moving on from a Merger

While getting a seat at the table may not be as difficult for IROs during a company's merger, this scenario comes with its own unique set of challenges from a communications standpoint. "Messages and talking points must be consistent throughout departments that will communicate about the merger," Hillman says. "If they aren't, it creates confusion in the marketplace."

During her time at Health Net, which was Health Systems International when it acquired Foundation

Health Corp., Hillman recalls working cooperatively with the acquired company's investor relations and corporate communications teams. "We were very hands-on and had open dialogues between IR and corporate communications. We worked together to make sure everything was taken care of from a communications standpoint," she says, noting the importance of having a communications plan and making sure all the teams are working on the transition.

Despite establishing open communication, Hillman acknowledges that there will always be "questions about who's going to be left." Typically the acquiring company's IR team is the one that remains, but they may keep someone from the acquired company's team for historical purposes, which Hillman thinks is a good idea.

In one instance, she recalls, "The head of IR for the acquired company left, but the head of corporate communications came to Health Net and replaced our consultant. It made sense to get talent we needed on a full-time basis and maintain historical knowledge."

Cultural Differences

In the midst of a merger, Hillman says working with two companies with different cultures can be a challenge. "You are establishing relationships with people for the first time and trying to develop trust between two companies while working within regulatory requirements. You have to do things in ways that you're not used to, and it can take a lot of stamina and patience to do this." For this reason, in many instances, there are usually external parties/consultants involved in mergers.

It's in that capacity that Hala Elsherbini, senior vice president and COO at Halliburton Investor Relations, has worked with companies during mergers. She says it's important to "establish a two-way dialogue and be sensitive to the fact that the existing team will be moving on.

"Focus on continuing to drive shareholder value. Be proactive in a sensitive manner. To a certain extent, the new team will rely on the existing team. Take a friendly and diplomatic approach in your efforts to learn about the company."

And for Elsherbini, it's that pre-learning that will be critical to successful communication with a new shareholder base. "It's critical for that IR team to do as much pre-learning as possible about the acquired company," she says.

Calusdian agrees, "It's beneficial for the acquiring IR team to do research on the new shareholders and understand who they are and who might stay in the stock. Some investors may have investment criteria that don't meet the characteristics of the new company. The combined company may gain and lose shareholders.

"Understanding the new shareholder base of the new combined company and quickly communicating with them to establish credibility is crucial. The new management team should get to know all the new shareholders face-to-face. Because of geography, an introductory call may be needed, but a face-to-face meeting should happen as soon as possible."

For Elsherbini, "it goes back to establishing a central voice. The IRO is tasked with communication to Street. Also the CFO needs to be brought into the fold. And they need to be on the same page. After developing your message, you need to funnel your inquiries and outreach through a central voice. That's critical.

"If there's not sufficient planning and the IRO is not privy to the deal and part of the communications team, details may be missed in keeping the message consistent. If you don't invest the time in messaging appropriately, there is greater risk of misunderstanding in your communications with investors."

Still, as the new IR team gets up to speed, there is the human factor and that short, sometimes lengthy, period of time in which two IR teams must coexist. "When two companies are combined, it's extremely rare for both teams to stay," Calusdian notes. "Unfortunately, IR becomes one of the cost synergies. However, there are still things for the acquired team to do during the transition, and the acquiring company needs to do their best to keep that team around."

In Hillman's view, the best case scenario is a team effort where both IR teams work together and make the best of the situation: "No one likes going into a situation where people will lose their jobs, but that's the reality of the M&A world." IR

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