

Cross-Border Mergers: How to Avoid the Post-Announcement Deal Killers

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Introduction

- fewer than half of all mergers increase shareholders' value
- cross-border deals present different challenges than domestic transactions (reasons?)
- external counsel and investment bankers are usually not around to pick up the pieces
- the most critical phase in merger success or failure is the implementation and the post-merger integration

Integration Challenges

- plan the launch
- focus on employees
- technology can be tough

The Launch - Orchestrate the Unveiling

- at an early stage in the process, determine who the key stakeholders are and anticipate and plan for their reaction to the transaction
- focus on customers, partners, rating agencies, regulators, employees and other key stakeholders
- have a detailed game plan for the announcement, with all key stakeholders being allocated to appropriate executives and a consistent message mapped out and agreed upon

Employees – The Most Critical Piece

- understand the employment culture and law in the target's jurisdiction
- have a fair selection process
- make the tough decisions
- create an aggressive timeline to minimize the period of uncertainty
- communication is critical
 - speedy, consistent, senior management input, well-planned
 - provide extra orientation and networking opportunities for newly acquired employees

Technology (1) - Integration

- Information Technology is at the heart of almost all modern business processes
- integration of information systems can be one of the biggest merger challenges
- jointly staffed teams should participate in assessing overlapping systems and strengths
- combining outsourced systems

Technology (2) - Transitional Services

- how to untangle the acquired unit's business processes from its parent
- seller has little incentive to help with the operation and providing services at historic quality levels may be a low priority for it
- focus on the transition services arrangements and include sufficient detail on performance thresholds, etc. to guarantee acceptable performance and aggressively monitor such performance
- negotiation of the TSA may take longer than negotiating the purchase agreement

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