TAMARINDO
strategic communications advisory

An energy sector insider's guide to

COMMUNICATING FOR M&A

These are good times for energy sector mergers and acquisitions (M&A). With coronavirus dampening deal activity in the last couple of years, 2022 promises revived interest in corporate purchases, with a focus on energy transition-related targets.

> In 2022, more companies will use deals to green existing operations and strengthen environmental, social and corporate governance assets; build green energy hubs; build an integrated value chain to deliver energy transition products and services; reshape business models; and invest in start-ups.
>
> – Bain & Company.

But that does not mean you can sit back and relax if you are looking for an exit. While competition for energy company targets can be fierce, it tends to be restricted to those businesses that have done a good job of demonstrating their value to potential acquirers.

Hence, if you're a marcomms leader in a company planning to sell in 2022 or beyond then you have plenty of work to do. This brief guide covers the points you should be aware of. While it is aimed at companies planning a sale, the same advice goes for public listings or capital raises to increase funding for M&A.

Work out what you're famous for

The first step in securing a suitor is to understand what they will be looking for in a target. This might not be what you think it is. Half a decade ago, for example, there was a rash of US battery company acquisitions by European energy companies. This wasn't just because the Europeans wanted to install batteries, however.

Rather, they were interested above all in the software the US startups had developed for battery operations, which have since been incorporated into wider applications such as virtual power plants.

Similarly, there is major US interest now in purchasing 'platforms,' or developers with a track record and established project pipeline that can soak up tax equity on a long-term basis. The number of platform M&A deals doubled between 2020 and 2021.

Identifying such market trends could help you establish a key selling point for your business that will inform your M&A communications strategy.

Do the same as buyers: kick the tyres

If you are sprucing up your business to attract a buyer, then the last thing you want is for a skeleton to fall out of the closet. Pre-empt any awkward situations by carrying out a thorough review of the business before starting your M&A communications.

Look for any shortcomings that could raise red flags with investors and think about how you can address them. Also make sure you have a rock-solid contingency plan in place for any potential disaster or business continuity issues.

Build your equity story

You can have a great product or a bulging order pipeline, but those things alone won't add up to a sale. Investors and acquirers don't just want companies that are successful now, but companies that are going to continue delivering profits in the future.

And for this, they will want to hear your equity story: your vision for the market and your company's place in it. This isn't something you would put in a press release, but it should be something your senior team can talk about candidly with investors, analysts and other key audiences.

Select your spokespeople

It is often said that investors buy management teams rather than companies, so as a marcomms professional you need to make sure your senior team can put on a show. Not every company has a charismatic, visionary leader, so consider carefully whether your lead spokesperson needs media training and/or image consultancy.

Since this is about showing off a team rather than an individual, ensure your company has a supporting cast around the main protagonist. And if there is a decision to parachute in investor-friendly additions to the top team then give them the support they need to get up to speed with company messaging.

Get out there and make some noise

Once you have gone through the steps above then it is time to get the market to pay attention. For this, you may need an intense, prolonged communications campaign. Look for high-profile speaking slots and media opportunities. Consider investing in advertising and promotion to give your brand extra exposure.

This is not a time to scrimp and save on marketing budgets. While your finance officer will no doubt beg for caution while trying to present the most favourable figures possible, it will be hard to sell your business if nobody has heard of you. If needed, seek expert advice on how to improve your brand's visibility.

Consider your communications

When it comes to media relations specifically, it will be important to provide a sense of continued financial momentum. This will probably involve regular updates on deals, partnerships, appointments, launches and so on.

And if you are not carrying out analyst relations, now could be the time to look for dedicated resource in this area. At the same time, keep a close eye on your firm's social media engagement, including comments being posted by your management team—you don't want a misjudged tweet to sink the chances of a sale.

Reach for resources

Planning for M&A is a long and arduous process, and it pays to get all the help you can.

Getting external support is more advisable during this period than at any other time, either to help with the trickier elements of M&A communications or to keep things ticking over—for instance at trade press level—while your in-house team moves up a gear. And bear in mind this is a process that can take months or years.

To get more information on how you can win at M&A communications, talk to us now at:

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