CORPORATE COMMUNICATOR

LOUISE WATSON

WHEN THERE ARE BILLIONS OF DOLLARS ON THE TABLE, GETTING A CLEAR MESSAGE ACROSS TO ALL STAKEHOLDERS IS VITAL.

STORY **ROSY MOBBS** PHOTOS **WILK**

WHEN BRITISH GAS COMPANY BG Group plc circled and savagely swooped in on Origin Energy Ltd with its beak wide open ready to pluck Origin for A$13 billion, strategic adviser Louise Watson was speed-dialled into the team defending against the predatory attack.

In April 2008 when BG proposed to acquire all the shares in Origin at a cash price of A$14.70 per share, it was the highest premium over the trading price ever offered for an Australian company.

"Tensions escalated and the stakes were extremely high," says Watson, managing director of Symbol Strategic Communications.

"Timing was critical and we had to let the market know immediately that this bid by BG was not a knockout offer, it had to be carefully considered."

Small comunications nuances can cost businesses millions if decision-makers do not appreciate their importance. In this interview Watson shares her inside knowledge about maximising manoeuvres when deal-making.

"We had to get this message out and remove the emotion from the transaction before media and market sentiment was able to block out the rational assessment of the offer," she says. Watson has been involved in many big announcements. There was CBA's Initial Public Offering in 1991 worth A$1.7 billion, Woolworths' A$2.5 billion public share offering in 1993, the A$1.5 billion IPO for Qantas in 1995 and Foodland's sale to Woolworths/Metcash in 2005 worth A$3.3 billion.

Her more recent role for Origin was as communications adviser to its March 2011 A$2.3 billion pro rata renounceable rights issue, which is expected to help refinance part of the debt used to fund the acquisition of the Integral Energy and Country Energy retail businesses as well as strengthening the balance sheet for other growth opportunities.

It is part of the strategy of Origin managing director Grant King to focus on being an integrated energy business.

Origin is the result of a 2000 demerger from the Australian conglomerate Boral, in which its energy business was removed from the building business.

On the day Origin issued an announcement of the BG offer to the Australian Stock Exchange, it said it had not yet had time to consider the proposal. >

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The ASX announcement said talks would take place between the parties and shareholders would be advised of the outcome. Origin said that discussions may or may not lead to an agreed transaction and recommended that Origin shareholders take no action on their Origin shareholdings.

According to Watson: "It is a board's role and duty to be thoughtful and agile enough to be able to manage the interest of shareholders in every transaction, and actively manage the process."

Origin's closing price the day before the ASX BG announcement was made on April 30, 2008, was A$10.47 and BG's bid represented what seemed like a very tasty 40 per cent premium. It was unheard of in Australia and market sentiment spurred prices to close at A$13.95 on the day of the bid.

"Yes, naturally there was a lot of market action on the day of the ASX announcement, a lot of buying and share trading volumes were extremely high," said Watson who had only just closed her strategic books on the successful A$7 billion AGL Energy Ltd bid defence for Origin Energy.

But having just risen triumphantly from the ashes of the AGL attack, Origin was not going to be bought for less than its long-term value.

A month after the BG bid, Origin announced a 121 per cent increase in some vital coal seam gas (CSG) reserves and advised on May 30 that it would not accept BG's proposal. Origin's rejection was attributed to the increase in CSG reserves as well as the announcement of the Santos-Petronas A$2.6 billion partnership designed to deliver a liquified natural gas (LNG) project in Gladstone, Queensland. This deal helped set a new benchmark for the value of CSG.

Origin is Australia's largest producer of CSG and the rationale behind the original BG bid was that the resources giant had hoped to capitalise on the lack of local market appreciation of CSG and acquire Origin's enormous Queensland reserves.

CSG is methane gas stored within coal seams. It is used in all natural gas appliances and commercial applications. The coal seams that can produce CSG economically are usually between 200m to 1000m underground.

Origin's Queensland reserves of CSG were seen as being strategically important to BG, which is one of the largest suppliers of gas in the world. At the time a major gap in its portfolio was the Asia Pacific region and the aggressive bid made it clear it was serious.

It also signalled, however, that CSG had real credibility as a source of LNG to be exported to the Asia Pacific market.

According to Watson: "Origin had bought tenements in Queensland because they understood the potential of CSG – a future energy source. But up until that time CSG hadn't been developed. There were only small developments and certainly the market didn't fully understand its potential.

"Origin's view was that that the market wasn't necessarily recognising the potential of CSG in the share price.

"But BG came along and made this bid because they understood the potential and a takeover is all about future potential and that is what we had to educate the market about.

"Origin had been talking about CSG for a long time to the analysts, the investors and the media, but Origin was valued more as a generator and retail business even though it had always described itself as an integrated energy company. But it's all about the timing. Before this bid, the market really wasn't focusing on the potential of CSG."

On June 24, 2008, BG upped the ante and announced a hostile takeover bid of A$15.50 cash for Origin shares. After almost two months and a lot of tension, on August 19, Origin advised shareholders to reject the hostile BG offer.

Then, just two weeks later on September 8, Origin announced it had selected ConocoPhillips as its 50 per cent CSG to LNG partner to form Australia Pacific LNG worth up to A$9.6 billion.

The next day the defence team was relieved when BG announced it would not extend its takeover offer and therefore it would lapse.

The ConocoPhillips joint-venture transaction to form Australia Pacific LNG (APLNG) was completed on October 30, 2008.

It marked the end of a long five months.

On completion of the deal, King said: "This deal is a company transforming transaction. Origin will become, in its joint venture with ConocoPhillips, the largest CSG to LNG producer in Australia.

"Our unparalleled Queensland CSG resources will now be developed more quickly and the resultant LNG will have viable channels to global markets.

"Origin has no net interest-bearing debt and a significant cash balance. This strong financial position will facilitate a decade of growth for Origin in the dynamic and developing resource and energy sectors."

Origin's steering committee made up of financial advisers Macquarie Capital, lawyers Clayton Utz and communications advisers Symbol, fresh from the AGL win, proved synergistic as a team defending the BG bid.

The standoff and ultimate outcome shows that a methodical, rational and systematic defensive strategy is crucial to success when corporate sparring partners lock horns.

"There are lots of studies in the financial markets and in politics where it's obvious that emotion plays a huge role in determining an outcome," Watson says.

"Takeovers are played out in the media and financial markets and in view of this, our role was to assist the board in working through the proposition in a rational, unemotional way."

Symbol's main services provision areas include corporate reputation and communications management, investor relations, integrated solutions and counsel, communications advice on corporate activity-related issues

including M&A and equity offerings and CEO succession planning and market positioning.

"We've been strategic advisers on a lot of deals and the same principles always apply," Watson says. "Effective communication is vital.

"During the evolution of the transaction, this can be achieved by adhering to the following:

- Listening is the first step in effective communications because communications should always be viewed as a two-way function
- Strive for accurate simplicity
- Segment your stakeholders or audience and determine what you want to say to whom. Then consider the best way to say it to that stakeholder/audience (verbally, or in writing).

"Our overarching aim is to achieve value recognition for our clients and have that recognised in their share price through timely, accurate and appropriate communications," Watson says. ■

Secrets of success

1. The ability to simplify complex information into easily understood, resonant and easy to support propositions
2. The combination of creative and critical thinking ability and tactical planning skills
3. There is no substitute for hard work and continuous learning
4. The combination of original thought and the perfect application of old ideas

Victory speaks volumes

In December 2010 investors and strategists must have felt rather pleased as they watched Origin's share price spike A$17.30. It was an 18 per cent increase on BG's original offer and, to many, vindicated the decision to defend the company from the takeover attack.

Consolidating Origin's standing in the market was the East Coles ASX Top 100 survey that once again ranked King as Australia's most effective and admired MD.

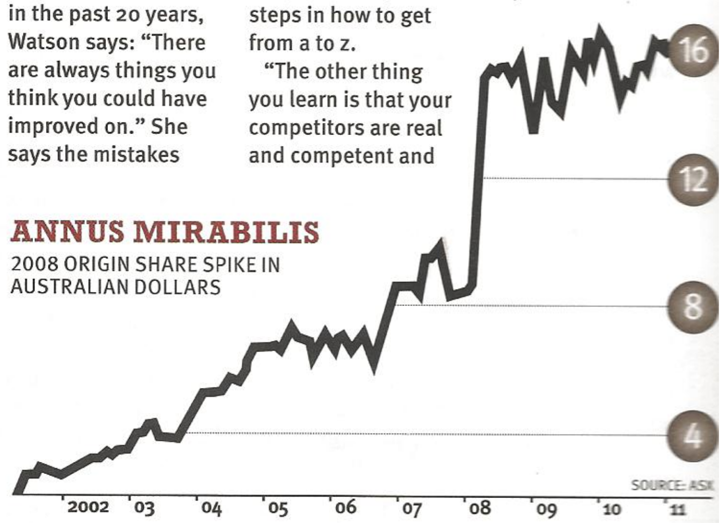
Reflecting on the many billions of dollars worth of deals she has advised on in the past 20 years, Watson says: "There are always things you think you could have improved on." She says the mistakes most commonly made in high-level transactions include:

- Too much use of jargon, which can alienate, confuse or cause audiences to turn off
- Being overly technical
- Not knowing your audience and assuming too much knowledge on the stakeholders or audience's part.

"In pitches you can lose business when you don't simplify the pitch enough," Watson says. "I talk more in concepts rather than specifics. You need concepts, but sometimes it's possible to leave out the practical specific steps in how to get from a to z.

"The other thing you learn is that your competitors are real and competent and they catch up very quickly. Sometimes you come up with fabulous ideas that are unique – but so do others. You can't rest on your laurels.

"I'm a great admirer of extraordinary communicators," she says. "One of my heroes was Winston Churchill, who said: 'I'm going to have to give a long speech because I don't have time to give a short one'. I use this quote all the time with my staff, clients and [three teenage] children." In other words, since good communication takes thought and effort, condensing a long speech is hard work.



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2008 ORIGIN SHARE SPIKE IN AUSTRALIAN DOLLARS