



# Upcoming spinoffs require a shift in outreach philosophy

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Over the next year, a number of large corporations, including Sara Lee and ITT, are embarking on new business plans - the impending spinoffs of their various businesses into independently traded companies - in order to unlock shareholder value.

With an eye on March 2012, Sara Lee plans to split its North American meat and international coffee and tea businesses into two separate companies. Recently, Jon Harris, current SVP of global communications for Sara Lee, was named CCO of the meat company, now under the working title Sara Lee 2.0. Further details on the international coffee and tea company are not yet available.

## Benefits of splitting

"We got to the point where we asked, 'Does it really still make sense to keep these two distinct businesses in one entity or do we actually think it's better to spin into two separate entities?'" says Melissa Napier, SVP of investor relations for Sara Lee. "We've made the determination that for the purposes of unlocking shareholder value, it's better to go ahead and execute the spin."

The current IR team has three people who report to the CFO. When the spinoff occurs, Napier will continue in her role, but instead be responsible for communicating Sara Lee 2.0's story to the investment community.

"Pure-play companies are really focused on a particular product or in a particular area," explains Napier, who joined the food and beverage company in 2001. "They tend to be simpler. They tend to be more flexible and have more of an entrepreneurial spirit. This then enables you to be closer to your end markets and your customers. You have faster reaction times, so you know you're less burdened by layers that might exist within a larger conglomerate company."

A spinoff, says Napier, allows for each of the separate independent companies to have their own financial statements, dividend policies, annual reports, and webcasts, and along with it the challenge of handling multiple jobs at the same time.

"Even heading up IR for a publicly traded company, there are a lot of routine requirements as part of our job that we still have to do," she notes. "You then have to think proactively about all the additional steps that must be taken in preparation for the spin. Eventually your meat company management takes more of a public stance.

"We must start to prep for the exchanges we will be listed on, our future road shows, getting out and communicating with new investors, and looking at the current shareholder base," adds Napier. "You're targeting communications with your current shareholders and also thinking more proactively about who your future shareholders are."

### Building awareness

Don Duffy, president of ICR, an independent financial communications firm, says a spinoff must often be treated like an IPO and fully marketed to build awareness around it.

"It's not one size fits all," he continues. "You must look at what the spin is versus what the private sector is and whether or not it's going to appeal to the same shareholders and the same audiences. A great example is ITT, where by breaking up certain businesses they might appeal to different shareholders that might not cover the same industries."

ITT will be splitting off its business units of defense, water, and engineering by year's end.

And Kraft Foods, plans are under way for the spinoff of an independent North American groceries business and another on global snacks, says Michael Mitchell, VP of corporate external communications.

"We're working to develop detailed plans for each business and function," he tells PRWeek, "which will likely take at least 12 months, with a target of year- end 2012 for the new companies' launch. Presumably, each will require an IR function, but it's too soon to say how the two companies will be structured."