



CASE STUDY ON HOSTILE TAKEOVERS (GLOBAL)

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Introduction

Amidst the ever-changing landscape of corporate strategy and governance, hostile takeovers are among the manoeuvres that generate the most interest and controversy. These strategic initiatives, which symbolize a critical conflict of interests between acquiring entities and resistant targets, serve as evidence of the unyielding quest for market leadership, synergistic benefits, or the maximization of shareholder value. Hostile takeovers are distinguished by their adversarial nature; they involve an acquirer who pursues control of a target company unilaterally, frequently in opposition to the ardent wishes of the target company's management and board of directors. Every hostile acquisition transpires as a distinct narrative within this complex environment, influenced by a convergence of financial, legal, and strategic elements, and ultimately impacting the corporate landscape. This case study provides a comprehensive analysis of hostile takeovers, analysing specific real-world instances to dissect crucial elements, obstacles, and consequences. By undertaking this investigation, our aim is to shed light on the intricate nature of these corporate conflicts and extract knowledge regarding the underlying strategies and dynamics.

Significant Development in the Confectionery Sector: Kraft's hostile acquisition of Cadbury

The hostile purchase of Cadbury by Kraft Foods in 2010 was one of the most significant and contentious events in the confectionery industry. This historic purchase changed the confectionery industry's global landscape and generated discussion about the effects of foreign ownership on well-known British brands. Let's examine this historic takeover's specifics.

Context: Kraft's Goals and Cadbury's Legacy

Founded in 1824, Cadbury is a worldwide confectionery firm based in Britain that is well-known for its long history and premium chocolate products. Cadbury was regarded as the jewel in the crown of the British business scene because of its significant presence in the UK and other markets.

In the meantime, in an effort to increase its presence in the candy industry, the multinational American food and beverage corporation Kraft Foods targeted Cadbury as a potential strategic acquisition target. Kraft aimed to fortify its standing in the cutthroat industry by leveraging Cadbury's worldwide distribution system, product line, and brand equity.

The First Proposal and Cadbury's Denial

Kraft Foods declared its intention to purchase Cadbury in September 2009, offering £10.2 billion (about \$16.7 billion). But Cadbury's executives, headed by CEO Todd Stitzer, turned down Kraft's approach right once, believing the offer to be significantly undervalued.

The board of directors at Cadbury remained unwavering in their rejection of Kraft's advances, emphasizing the business's strong growth prospects and dedication to its workers, shareholders, and communities. The denial created the conditions for a heated standoff between the 2 giants.

The Bitter Bid: Kraft's Chase Picks Up Steam

Kraft Foods demonstrated its resolve to buy the British confectioner by submitting an aggressive acquisition attempt, despite Cadbury's objections. Kraft's perseverance was a reflection of its strategic need to gain a foothold in the profitable confectionery industry and expand through mergers and acquisitions.

In an attempt to persuade Cadbury's shareholders, Kraft raised its offer to £11.9 billion (about \$19.4 billion) in December 2009. The Cadbury leadership, however, persisted in their objections and urged shareholders to turn down Kraft's advances in order to protect Cadbury's independence.

Proxy War and Approval by Shareholders

As the takeover drama developed, Kraft Foods and Cadbury fought each other in a high-stakes proxy war, including PR efforts to win over shareholders. Cadbury highlighted its history, inventiveness, and dedication to sustainability, while casting doubt on Kraft's motives and track record.

Integration and Consequences

Following the acquisition's conclusion, the venerable British brand Cadbury was merged into Kraft Foods, ushering in a new era. In an effort to increase profitability, Kraft quickly merged Cadbury's operations into its international confectionery division by looking for synergies and efficiency.

But the acquisition caused a stir both within and outside of the UK, with detractors voicing worries over the loss of a national treasure to foreign control. Concerns were expressed on how Kraft's stewardship may affect Cadbury's workers, production sites, and product quality.

Following the acquisition, Kraft Foods rebranded itself corporately, which resulted in the creation of Mondelez International in 2012. Under the name Mondelez Global LLC, the candy company operated, ushering in a new chapter for the merged entity

In conclusion, a turning point in the history of confectionery.

A turning point for the candy industry was the aggressive purchase of Cadbury by Kraft Foods in 2010, which was marked by shareholder activism, corporate intrigue, and shrewd manoeuvring. Even though Kraft was able to purchase one of the most well-known chocolate brands worldwide, the takeover highlighted the difficulties associated with international M&A deals as well as the lasting importance of a company's tradition and independence in the global economy.

2. Although unsuccessful in his proxy battle for a seat on Disney's board of directors, activist investor Nelson Peltz emerged slightly wealthier.

In the less than two years since Bob Iger returned as CEO of Disney, not a single day has been simple. Upon assuming the position once more in November 2022, Iger discovered a complete and utter disarray. Guests were dissatisfied, the company's stock was declining, its reputation was stumbling, prices were excessively high, and quality was progressively deteriorating. Not to mention the enormous financial burden that Disney+ posed for the organization in the billions of dollars.

Iger has undertaken significant efforts to restore the company's reputation since his return. He has devoted a substantial amount of labor to restoring profitability to Disney's film and television division.

A number of Disney+ series, including *The Mighty Ducks: Game Changers*, *The Mysterious Benedict Society*, *National Treasure: Edge of History*, *Willow*, and *Big Shot*, have been discontinued. Furthermore, although he has returned creative control to the original creators, Disney's feature film division is yet to experience a positive turn.

Despite these endeavours, a subset of individuals maintains the opinion that Iger is not exerting sufficient effort. Nelson Peltz, a multibillion activist investor, is one of these individuals. As the chief executive officer of Trian Fund Management, Peltz is determined to increase the amount of capital that Disney's shareholders hold.

Mr. Peltz has initiated a proxy battle by urging Disney's shareholders to elect him and a supporter of his to the board of directors. Iger, according to him, has been given ample opportunity to "right the ship" but has been unsuccessful.

Eisner wrote in an X post in 1983, "In 1983, Disney was under attack by corporate raiders attempting to take over the company," in reference to Saul Steinberg's unsuccessful hostile takeover attempt. "That would have effectively terminated the Disney Company as we know it," it was proposed that the studio, theme parks, and hotels be liquidated. "When the board turned to me and [then-president Frank Wells], we penned an alternative narrative, which Bob Iger and his executive team continued."

Eisner further stated, "Since a comparable circumstance persists in the present day, it is advisable to recall the insights gained four decades ago. Engaging an individual lacking industry or company experience to cause disruption to Bob and his eventual successor is tantamount to experimenting with natural disasters such as hurricanes and earthquakes in addition to fire. Voting for the Disney slate is recommended for Disney shareholders, as the company is presently under capable leadership."

1984 marked Eisner's appointment as CEO of Disney. His intentions to vacate the position were declared in 2004 and subsequently solidified in September 2005.

In his struggle for authority over Disney's Board of Directors, Peltz has encountered censure not only from Bob Iger, but also from various stakeholders, including former Disney CEO Michael Eisner and the Walt and Roy Disney family. As a result of his close relationship with Ike Perlmutter, a former Marvel executive who has openly expressed his contempt for the company, Peltz has been accused of harbouring a "vengeance."

Perlmutter provides the majority of the funding for Trian Partners' Disney shares. Peltz has been charged by Disney with seeking a seat on the board so that Perlmutter can dictate his actions.

3. The acquisition of Twitter, an American social media corporation, was instigated by business magnate Elon Musk on April 14, 2022, and reached its conclusion on October 28, 2022. Elon Musk initiated the acquisition of company shares in January 2022 and, by April of that year, had amassed the largest ownership stake of 9.1%. Musk accepted an invitation from Twitter to join its board of directors, but ultimately decided against it. Elon Musk presented the company with an unsolicited acquisition offer on April 14. In response, the Twitter board devised a "poison pill" strategy on April 25 to ward off a hostile takeover. On April 25, the board unequivocally accepted Musk's buyout offer of \$44 billion. Elon Musk declared his intention to augment the platform's functionality, license its algorithms for public use, counter spambot accounts, and advocate for the preservation of free speech.

Elon Musk declared his intention to terminate the agreement in July, alleging that Twitter had violated the terms of the agreement by neglecting to implement stringent measures against spambot accounts. Shortly thereafter, the organization initiated legal proceedings against Musk in the Delaware Court of Chancery, where a trial has been slated for the week of October 17. Musk reversed course weeks prior to the scheduled start of the trial and declared his intention to proceed with the acquisition. The transaction was finalized on October 28, at which point Musk assumed the role of Twitter's proprietor and CEO without delay. Twitter was merged with X Corp., a new parent corporation, and taken private. Elon Musk dismissed a number of senior executives without delay, including former CEO Parag Agrawal. Subsequently, Musk has introduced a number of restructuring proposals for Twitter and terminated the employment of half of the organization's staff. A consequence of Musk's ultimatum requiring them to commit to "extremely hardcore" work was the resignation of hundreds of

employees. The appointment of Linda Yaccarino as CEO of X Corporation. The Twitter service was rebranded as X in July 2023.

Musk's proposed reforms and vision for the company elicited a range of responses. While some expressed admiration for the acquisition, particularly his advocacy for increased freedom of expression, others warned of the possibility of an escalated prevalence of hate speech, harassment, and misinformation on the platform. Conservatives have predominantly expressed support for the acquisition within the United States, whereas liberals and former Twitter employees have frequently expressed apprehensions regarding Musk's motivations. Elon Musk has encountered criticism and account suspensions since assuming ownership, including the suspension of ten journalists in December 2022.

4 Louis Vuitton's Hostile takeover by a friend Bernard Arnault.

The origins of this organization can be traced back to the nineteenth century in France, where a destitute adolescent yearned to produce vast quantities of dough despite lacking the means to purchase food and shelter. Subsisting on the labor of artisans and craftsmen, he performed menial tasks in order to make ends meet. Even the remuneration he received for these was insignificant. However, one positive consequence was that he acquired talents that were unavailable elsewhere.

Louis Vuitton was born into impoverished farming and hat-making parents; as a result, he was forced to work in the muck of his farmland at an early age. However, this marked only the initial phase of events. At the tender age of ten, Louis witnessed his father remarry and his mother pass away. His stepmother was precisely what one would expect from a stereotypical stepmother: evil, cruel, and callous. She severely harmed Louis's quality of life. He endured her for years until he was finally unable to. At the age of thirteen, he absconded. At this time, he was both hungry and destitute. However, his light remained unaffected by his wretched state. During his apprenticeship to the artisans, he gained experience working with wood, stone, metal, and fabrics.

Travel became more convenient than ever before with the construction of the first railway in Paris; consequently, aristocrats required boxes to store their possessions. Louis resolved to take initiative and secured an apprenticeship under the guidance of a trunk maker and packer. His work was quickly praised by all, and the Empress of France subsequently designated him as her personal box-maker.

Things subsequently began to look up. Following one year of service to the Empress, Louis established his initial retail establishment. Subsequently, endowed with the opportunity for development, he conceived notions that revolutionized public opinion concerning fashion accessories.

Canvas was chosen over leather to construct the containers by Louis because it was more lightweight, durable, and water-resistant. Louis popularized handbags during a time when they were regarded as cumbersome and unattractive.

In order to meet the increasing demand, Louis enlisted the assistance of his son, Georges. Younger generations continued to enter the industry over time, and without intending to be insensitive, the elder generation began to die off one by one.

The hostile acquisition

The three siblings in the final line of the family tree were unable to reach a consensus regarding business-related matters following the demise of their father. Instead, they reached the decision to transfer control to Henry Racamier, the last legitimate heir to Vuitton and the spouse of their sister. We shall proceed with the narrative from that point forward.

Six years after Henry assumed control, Louis Vuitton's revenue increased from \$20 million to \$260 million; the company subsequently went public in 1984.

The company's sales had escalated to approximately \$1 billion by 1987. However, as the number of employees increased, so did the risk of an external takeover. Henry merged the century-old business with Moët Hennessy, a renowned producer of luxury champagne and cognac, in order to prevent this from occurring. The resulting entity is presently recognized as Louis Vuitton Moët Hennessy or LVMH.

As Moët Hennessy's operations decelerated, tensions escalated between Henry and its president regarding management. Henry requested the assistance of a wealthy real estate developer because he was on edge. It was approved by the property developer.

However, an unexpected development occurred when Henry became entangled in the administration of his company and discovered that the property developer was purchasing a controlling stake in LVMH in secret. Upon his realization of the "ally's" intentions, the "ally" had already acquired 45 percent of the controlling interest. Furthermore, he was well received by the management of Moët Hennessy.

Thus, Henry was occupied with defending his company against an external takeover when a close confidant of his stabbed him in the back and took a side with the adversaries he had been recruited to combat. The ally engaged in a protracted legal dispute with President Henry Racamier. He ultimately prevailed and expelled Henry from his own organization.

He is Bernard Arnault, the world's second wealthiest man. Bernard Arnault is the chairman and CEO of LVMH. According to Wikipedia, Bernard Arnault was a French industrialist, investor, and art collector.

Massive alterations

During the 1980s, a period of increasing demand for luxury products, Arnault recognized the trend and established an unsuccessful French luxury brand. He acquired the brand with funds from his family and subsequently implemented significant modifications. As part of the modifications, non-performing assets were discarded. However, he continued on from there. A total of 9,000 employees were terminated from that organization in an effort to reduce expenses.

It is Dior, a prestige brand. For the same, Arnault even earned the moniker "The Terminator."

The Arnault design

Arnault has gained considerable notoriety for accurately executing his distinctive aesthetic. He would apply the same tactics he employed against Henry Racamier to numerous companies. He would initiate the indirect purchase of company stakes through LVMH subsidiaries, until LVMH essentially owned a controlling interest in that company. Arnault attempted the identical strategy with Gucci and Hermès. However, he was unsuccessful in these two enterprises despite his numerous other triumphs.

LVMH and Arnault have continued their acquisition binge, acquiring 75 luxury brands as of today.

The five largest firms owned by LVMH-

1)The Tiffany & Co. firm.

Has popular culture failed to portray this brand favorably enough for you to comprehend the magnitude of this corporation? A proposal that does not include a Tiffany ring does not qualify as a proposal. Additionally, absolutely. It is an LVMH property. It was acquired by LVMH for \$15.8 billion in 2021. It is believed that this is the largest acquisition of a prestige brand ever.

2)The Bulgari

Recognized for its vibrant and imaginative jewelry designs, LVMH paid €3.7 billion to acquire this century-old luxury brand in 2011.

3)The Fendi

A brand recognized for its production of high-end fur and leather goods, including footwear, eyewear, outerwear, and fragrances, this company was reportedly acquired for \$259.4 million in 2001.

4) Christian Dior.

Once in financial distress and on the precipice of insolvency, Dior is renowned for its line of designer clothing. It was among the initial acquisitions documented by Arnault. In 1984, he obtained the item for a symbolic sum of 1 Franc. Nevertheless, this brand was technically acquired by LVMH in 2017 for \$13.1 billion.

5)The Sephora

Acquired in 1997 for an undisclosed sum, this luxury personal care and cosmetic products brand boasts an extensive portfolio of approximately 15,000 unique products.

The bottom line

"Keep your enemies closer and your friends closer" is the guiding principle. Both were Bernard in this narrative. Since assuming the role of chairman and CEO of this mega-brand in 1989, Bernard Arnault has remained in his current position. Without Bernard, the Louis Vuitton narrative would not be a worldwide phenomenon. He assisted the brand in reaching its current heights.

Occasional individuals arise with the intention of destroying everything in order to reconstruct it from the ground up."

