

M&A: Getting to grips with the impact on schemes

Teneo Insights / August 2015



All over the world corporates are rebuilding their balance sheets, accumulating record levels of cash and having their valuations boosted by upturns in stock markets. All of this, along with other factors, means they are looking to grow by merging with or taking over other companies.

Simon Kew
Director
Simon.Kew@teneo.com

Drivers behind M&A activity

This is not the time or the place to go into the minutiae of mergers and acquisitions, although it is worth noting that here in Europe it is estimated that nearly one in four dollars spent on deals is from US or Asian countries, such as China.

For sponsors and trustees of pensions schemes in the UK that are faced with a corporate merger or acquisition, there is one clear message I'd like to get across: assess the impact of the transaction on any UK defined benefit schemes to understand the position before and after the deal.

It is imperative any potential impact on covenant is fully understood so the sponsor, as well as the trustees, are able to play their part in locking-in a strengthening of covenant, or mitigating where covenant weakens.

The sponsor will in all likelihood have more information to hand than the trustees, so can be in a better place to proactively undertake this assessment – but that doesn't absolve the trustees from looking at the transaction.

It may be, of course, that the trustees are having to get to work retrospectively if they were not made aware of the deal but there is still considerable merit in doing so.

While a corporate transaction can be quite an emotive subject it is important to take a facts-based approach, removing emotion and conjecture wherever possible.

Focus on the known information; try to obtain additional data and the strategic rationale for the deal and seek help, when required, to make an objective assessment of the issue at hand.

A change in parent can bring myriad opportunities and challenges. Getting to grips with what they are may not be easy but is absolutely essential.

This blog post was originally published by **Pensions Expert**

“It is imperative that any potential impact on covenant is fully understood so the sponsor, as well as the trustees, are able to play their part in locking-in a strengthening of covenant, or mitigating where covenant weakens.”



Teneo is the global CEO advisory firm.

Teneo is the global CEO advisory firm. Working exclusively with the CEOs and senior executives of the world's leading companies, Teneo provides strategic counsel across their full range of key objectives and issues.

Teneo's clients include a significant number of the Fortune 100 and FTSE 100, as well as other corporations, financial institutions and organizations. Integrating the disciplines of strategic communications, investor relations, restructuring, management consulting, physical & cyber risk, financial advisory, corporate governance advisory, ESG, DE&I, political & policy risk, and talent advisory. Teneo solves for the most complex business challenges and opportunities.

teneo.com