

INTERNATIONAL INVESTORS: PROCEED WITH CAUTION TO SUCCESSFULLY NAVIGATE THROUGH THE FRENCH PR MINEFIELD!

*By Guillaume Granier, Senior Managing Director,
Cosme Julien Madoni, Senior Director, & Mathilde Jean, Director, FTI Consulting*



*Special issue compiled and edited by Marina Guérassimova and
Professors David Chekroun, Gilles Pillet (ESCP Business School)
Article edited with the assistance of Céline Glas, student of the Specialised Master in International Business Law
and Management, and Alix Stephann, student of the Law & Business major at ESCP Business School*



Guillaume Granier



Cosme Julien Madoni



Mathilde Jean

Foreign investments in French companies are the subject of numerous and fierce debates in the media, politics and on social networks. Thinking about the reputational dimension of an operation from its outset is the best way to avoid a controversy that could slow it down or even cause it to fail and harm its initiator reputation.

By its very nature, the control of foreign investments touches on the domain of sovereignty and therefore of politics and the debates that accompany it in a democratic society. **As a foreign player, it is crucial to analyze the reputation risk posed by a potential project that involves the take over of a French asset as soon as you conceive it.** During this analysis, the planned operation will be

examined under the microscope of public debates and ‘myths’ specific to France, but also the perceptions, issues, and agendas specific to the numerous stakeholders involved: employees, elected officials, unions, minority shareholders, etc. Every new operation is unique, however, a review of French past transactions sheds light on the issues to be anticipated to avoid setbacks.

A political and media debate driven by the ‘symbolic dimension’ and the territorial anchoring of target companies

According to EY’s France Attractiveness Survey¹, in 2020, France retained the coveted top spot on the European podium for foreign investment, ahead of the UK and Germany, with nearly 985 foreign investment projects announced. Of these deals, 275 were monitored by the French Ministry of the Economy that year². **However, only a handful of operations have been the subject of public debate and controversy in the media.**

Among the criteria that explain the irruption of public debate in an operation, the symbolic or ‘iconic’ character of a company is a determining factor.

This cultural dimension covers very broad and varied aspects: a ‘legendary’ company in French industrial history (even if the economic footprint is small today), a company whose products and services are used daily by French people, CAC40 listed companies, a major French employer, etc. Political voluntarism in the field of foreign investment control began in France in 2005 when the press reported the rumour of a takeover bid by the American PepsiCo on Danone, an emblematic group associated with food and agriculture and with a rich history at the heart of the French economy. Although the M&A was only a rumour, the French political body immediately asserted via interviews that the very idea of a foreign firm taking control of this emblematic group seemed unacceptable, creating a huge media controversy. PepsiCo eventually confirmed to the French financial markets’ regulator, AMF, that it had no intention of launching a bid for Danone.

Despite the current existence of a strict legal control framework, this cultural dimension of the target company’s identity remains to be examined with close attention. Early 2021, the French government did not hesitate to block (outside of any formal procedure that could have been carried out by MULTICOM 4) the attempted takeover of the emblematic company Carrefour by the Canadian convenience store chain Couche-Tard.

From the very first discussions on a friendly takeover, the government reaction was categorical. Bruno Le Maire, French Minister of the Economy, stated “*My position is a courteous, but clear and definitive no,*” explaining that “*we are not giving up one of the major French retailers*”³.

The controversy sparked by an operation can also result from the strong local presence of the target company. Regional elected officials and media might seek to bring the debate to the national stage. For example, when the American fund Searchlight announced in 2019 that it wanted to launch a takeover bid for the Toulouse aerospace manufacturer Latécoère, opposition to the operation mobilised several local representatives for whom the company is symbolic of the aeronautical and industrial history of the Occitanic region: the President of the Regional Economic, Social and Environmental Council CESER (“*Latécoère needs time. Leaving the field open to a North American fund would be a mistake*”⁴), the Mayor of Toulouse Jean-Luc Moudenc, and the Departmental Council of Haute-Garonne⁵.

A political and media debate centred on the ‘honourability’ of the buyer, a subjective norm that changes with contemporary geopolitical battles

From a media point of view, the respectability of a foreign investor and the acceptance of their takeover of a French company will be primarily assessed in terms of their nationality. Ten years ago, it was Qatar’s all-out acquisition of stakes in French emblematic companies that caused controversy in the French media (Qatar Sports Investment becoming the majority shareholder of PSG, the Qatar Holding fund taking a 1.03% stake in the capital of the French luxury group LVMH, Katara Hospitality acquiring the Martinez Hotel in Cannes, the Palais de la Méditerranée in Nice, the Concorde Lafayette at Porte Maillot in Paris, and the Louvre hotel, etc.)⁶. Still marked by the emblematic GE/Alstom case, **the French remain wary of any American player.** In 2020, the Latécoère-Searchlight and Photonis-Teledyne operations made the headlines, with most media pointing to the American nationality of the potential buyers⁷. In the case of Latécoère,

¹ https://www.ey.com/fr_fr/attractiveness/barometre-de-l-attractivite-de-la-france-2021/la-france-dans-la-course

² <https://www.tresor.economie.gouv.fr/services-aux-entreprises/investissements-etrangers-en-france/les-chiffres-cles-des-ief-en-2020>

³ Les Echos, Carrefour : pourquoi le gouvernement s’oppose à l’offre de Couche-Tard, 14 January 2021

⁴ La Dépêche, Latécoère : l’OPA américaine suscite des inquiétudes à Toulouse, 17 September 2019

⁵ La Tribune, Aéronautique : l’OPA sur Latécoère inquiète à tous les niveaux, 20 December 2019

⁶ Some examples:

L’Express, Le Qatar investit en France : « C’est quoi, le problème ? », 7 November 2012

Slate, Comment le Qatar a acheté la France (et s’est payé sa classe politique), 6 June 2011

⁷ Some examples:

L’Usine Nouvelle, Le fonds américain Searchlight vise une OPA sur Latécoère, 1 July 2019

Challenges, Incroyable, l’américain Teledyne repart à l’assaut de la pépite française Photonis, 27 October 2020

some elected representatives, trade union representatives and commentators questioned the proposed operation, contrasting the natural interests that would exist between 'a historic equipment manufacturer whose headquarters are in Toulouse' and 'an American investment fund'⁸.

The more discreet French takeovers of companies from Chinese investors have been publicly questioned throughout the last decade. This is notably the case for the arrival of Dongfeng in the capital of the 'national jewel' of the automobile industry, PSA, in 2014, but also for the heckled takeover bid of Fosun on the holiday specialist Club Med in 2015. The latter was strongly criticised by the Vice-President of French far-right party *Front National*, Florian Philippot, who indicated that "in recent months, the number of French flagships and other strategic companies that have come under Chinese control is countless"⁹. Today, in a context of a 'commercial cold war' with China and marked by scandals linked to bad management by Chinese players of French companies (e.g., Baccarat, Toulouse Airport, etc.), **the takeovers in Europe of companies from the Middle Kingdom are increasingly coming to the forefront of public debate.**¹⁰

In France, **the involvement of investment funds (vs. an industrial company) is always questioned by a part of public opinion**, which is very vocal. In the eyes of the French public, the investment fund is very often a 'vulture fund' that has come to acquire French technology and expertise, at the cost of heavy redundancy plans destroying many jobs, and by injecting a debt whose weight very quickly becomes unsustainable for the company. The KKR fund was even nicknamed "the barbarians" by the French press in the 2010s.¹¹ This French fantasy makes operations more complex for all foreign funds wishing to acquire French companies. In 2021, American fund Bain attempted to buy services unit of French energy group Engie, Equans. In the end, as the 2022 presidential elections approach, the French government has announced that the bid of the French telecoms group Bouygues would prevail, despite Bain's presentation of a development project being deemed concrete and solid for Equans, its partnership French firm Fimalac, and an initial offer that was higher than all its competitors.¹¹

A public debate influenced by multiple actors with diverging interests

Political figures in office have always become the 'heralds' of economic sovereignty, whether it be former economy ministers Dominique de Villepin and Arnaud Montebourg yesterday, or Bruno Le Maire today. In these circumstances, **being able to anticipate political reactions is as important as decoding the existing legal frameworks.** To achieve this, it is necessary to analyse the public debate and its actors, to anticipate the agendas and interests of the various stakeholders and, above all, to adopt the right approach and explanation strategy, particularly with politicians who do not want to be presented with a *fait accompli*. This analysis must be carried out at several levels. In France, around the issues of relocation, 'Made in France' and the protection of French flagship brands, several approaches coexist, combining 'economic patriotism', dear to Arnaud Montebourg, or the desire to bring about the emergence of 'European industrial champions', a voice currently echoed by Bruno Le Maire. At the European level, Commissioner Thierry Breton has taken a political stance on this issue of European sovereignty and the implementation of an industrial policy, in a position very much inspired by the French.

Other stakeholders are key relays in public opinion and are likely to shape the debates: trade union representatives, economists, activists, shareholders, etc. In the Danone - PepsiCo controversy, it was the French dairy industry that very quickly became a key player in the discussion. For example, Jean-Michel Lemétayer, the President of the Fédération nationale des syndicats d'exploitants agricoles (FNSEA), said that he "thought it was a pity that Danone, a national flagship, was not keeping its autonomy"¹³. It is potentially the entire ecosystem of the company that is called upon to express itself directly (on social media, through letters and open letters, etc.) or by soliciting the media. The trade unions, with their contacts and expertise in the media and political spheres, will question the social practices of the foreign investor and their compatibility with the 'French social model'. The question of employment will naturally be one of the major issues at stake in the discussions, but the trade union organisations

⁸ 20 Minutes, Toulouse : l'OPA d'un fonds d'investissement américain sur l'équipementier aéronautique Latécoère inquiète la CGT, 3 October 2019

⁹ La Tribune, Un Club Med sous pavillon chinois ? Le FN s'en offusque, d'autres s'en réjouissent, 3 January 2015

¹⁰ Some examples:

Le Figaro, L'Allemagne bloque une offre chinoise sur un fabricant de télécommunications, 3 December 2020

Les Echos, L'Italie bloque le rachat d'une entreprise de semi-conducteurs par une société chinoise, 3 May 2021

¹¹ Le Monde, Les « Barbares » de KKR font leur entrée à la Bourse de New York, 14 July 2010

¹² Les Echos, Equans : Bain s'associe à Fimalac pour contrer Bouygues et Eiffage, 20 October 2021

¹³ Les Echos, Face aux rumeurs, Danone met sa force de dissuasion à l'épreuve, 19 July 2005

will potentially take on all subjects and will not hesitate to raise questions regarding ‘sovereignty’.

Lastly, economists and experts are frequently called upon by the media to provide their points of view, often on the theme of defending French companies or urging national or European industrial policies. On the occasion of the Carrefour Couche-Tard project, many experts such as Christian Saint-Etienne, professor at the CNAM and member of the Cercle des économistes, expressed themselves: “*As long as France does not deal with its deep-seated ills [weak corporate margins, absence of pension funds constituting stable shareholders, inability to transform massive savings into long-term investment instruments, the weight*

of social charges], our companies will remain easy targets for clever predators.”¹⁴. More critical of the French position, Ferghane Azihari, General Delegate of the Free Academy of Human Sciences, criticises in a tribune a “*veto of France which risks vexing other foreign investors*” and denounces a “*demagogic posture*” of the government¹⁵.

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On the eve of a new campaign for the French presidency, and at a time when the coronavirus epidemic has exacerbated the sensitivity linked to issues of economic sovereignty, only those players who have defined a holistic and preventive communication strategy for their acquisitions in France will be able to maximise the probability of success of their operations.

¹⁴ La Chronique du Cercle, Entreprises et souveraineté nationale, 17th February 2021

¹⁵ Le Figaro, Le veto de la France au rachat de Carrefour risque de vexer d'autres investisseurs étrangers, 19th January 2021

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