



“I PUT THE DEAL TOGETHER ON ONE PIECE OF PAPER. I NEVER THOUGHT THE PRICE I WAS ASKING WAS TOO HIGH OR THAT THE DEAL WOULDN’T COME OFF. I WAS SUPREMELY CONFIDENT.”

Harold Mitchell

AT THE END OF JULY 2010, HAROLD MITCHELL sold the listed Mitchell Communication Group (MCG), which he still controlled, to the Aegis Group for \$363 million. Aegis, a global media and marketing giant listed on the London Stock Exchange, operates in 82 countries and employs 15,000 people.

The sale netted Mitchell more than \$150 million after MCG shareholders overwhelmingly approved the deal at a meeting last October. As of January, the Mitchell family’s 4.18 per cent stake in Aegis was worth about A\$120 million.

The Aegis deal was Mitchell’s idea from start to finish. The proposal he first scribbled on a single sheet of paper was what Aegis accepted under a heads of agreement on July 29 last year. Aegis agreed to Mitchell’s blueprint to pay A\$1.20 for each MCG share, or 40 Aegis shares for every 67 MCG shares. The A\$1.20 offer represented a 15 per cent premium to the share price before the stock entered a trading halt on July 29.

Mitchell, 68, was keen to sell if he could find a buyer prepared to meet his terms. He believed the timing was right, with the global advertising industry – apart from Australia – experiencing difficult times. Here was a top asset for which a buyer would be prepared to pay a premium and “a terrific opening to do a great deal and back ourselves into Asia”.

Sniffing opportunity, Mitchell called on his 40 years of marketing and advertising experience to sell his group, consisting of 21 integrated businesses across media, digital, diversified, research and technology. “So I went to their people and said ‘I want you to buy us,’” he recalls in an interview at his South Melbourne office. “I will let you have 20 per cent of Mitchell on day one. The price is A\$1.20.” The share price was A\$1.04 at the time.

Mitchell describes it as a dawn raid – a transaction between two parties before the market is informed. “I will not accept another price even if it’s higher. I will say to the market, I am recommending this in the absence of a better deal – not a higher price, but a better deal; there is no better deal because we fit with you. I trust this thing so much.”

Mitchell reminded Aegis executives his proposal would catapult Aegis’s Australian arm from No.7 media buyer to the top.

“We have been No.1 in Australia for a long time,” Mitchell says. “Australia is 2 per cent of the world’s population, but 10 per cent of the world’s advertising market. Australia has the highest per capita advertising spend in the world.”

Mitchell says this is because Australia avoided recession during the global financial crisis and its economy has expanded for almost two decades now. Major multinational and Australian firms operating here compete fiercely to lift earnings and “they can either cut costs or increase market share via more advertising”, he says.

Aegis appealed to Mitchell not only as a sound strategic and cultural fit but also because it already had an established presence in Asia. Mitchell believes a thriving and expanding Asia will account for half of all global economic

production by 2050. He says his decision to sell was vindicated when more than 99 per cent of the MCG shareholder votes were cast in favour of becoming a subsidiary of Aegis.

Mitchell, who owned 30 per cent of MCG alongside his immediate family’s 10 per cent, took more than A\$100 million of Aegis stock, agreeing not to sell 85 per cent of it for up to two years.

The family emerged with 4.18 per cent of Aegis, and Mitchell is now a board member of the group and executive chairman of its Australasian subsidiary. He is the second-largest shareholder in Aegis behind French investment and industrial group Bolloré (26.6 per cent) as of December.

MITCHELL SAYS IT TOOK TWENTY MINUTES to seal the deal. “A good deal will always be like that,” he says. “I put it together on one piece of paper. My adviser and I met in London with the Aegis CEO, Jerry Buhlmann, and we did the deal. I never thought the price I was asking was too high or that the deal wouldn’t come off. I was supremely confident.”

With good reason, it appears – Mitchell has forecast MCG will contribute the lion’s share (more than A\$1.35 billion in media billings) to a combined company total of about A\$1.7 billion in Australia in the next 12 months. Mitchell has about 4000 clients and Aegis Media Group Australia and New Zealand will place more than 20 per cent of Australia’s advertising.

So convinced was he that the deal would be a win-win, Mitchell pledged to convert most of his MCG stock to Aegis shares. Some 77 per cent of MCG shareholders also opted to take Aegis shares rather than cash, so that the former MCG, as a group, holds about 10 per cent of Aegis. They’ve since watched Aegis Group’s share price rise 20 per cent.

With a A\$100 million-plus investment on the line, it’s in Mitchell’s interest to make Aegis Media Group Australia and New Zealand work. “The commitment by me in London was unwavering and they obviously saw that,” Mitchell says. “Because the fear [from an Aegis point of view] is I sell out, get the money and disappear. ‘No, I’m staying in,’ I told them.”

Mitchell says Aegis was also prepared to pay a premium based on MCG