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Carnival Corporation: The P&O Princess Acquisition (B)

Micky Arison faced an uphill battle in consummating a deal with P&O Princess, including two poison pill provisions, a board that would not engage in direct negotiations with Carnival, and the need for regulatory approval in both Europe and the US. In particular, both Royal Caribbean and P&O Princess told shareholders that a Carnival proposal would be less deliverable, due to a lesser chance of gaining regulatory approval. In an open letter to P&O Princess shareholders dated 25 January 2002, Arison argued his case:

P&O Princess' shareholders should not allow their board to mislead them on the regulatory issues. There is no discernable difference in the regulatory analysis of either transaction, particularly since both transactions will be reviewed on the same market definition. [...] If Royal Caribbean and P&O Princess thought Carnival were spoilers and not serious buyers, why did they go to the trouble of creating these egregious poison pills? [...] Our transaction is every bit as deliverable as Royal Caribbean's; the principal difference being that our transaction is at a significantly higher current value with more deliverable value creation in the future. We remain fully committed to pursuing our offer directly with the P&O Princess shareholders in advance of the extraordinary general meeting on 14 February 2002.

Five days later, Carnival made a public \$5.1 billion all-stock offer for all shares of P&O Princess. It also simplified the offer, requiring only regulatory approval. Once again, the P&O Princess board concluded that the proposal from Carnival was not "superior" to Royal Caribbean's. Undeterred, on 7 February Carnival increased its bid for the third time, valuing P&O Princess at \$5.4 billion, finally raising the possibility of a dual-listed company (DLC) structure. At last, the P&O Princess board conceded that "Carnival's increased offer was at a realistic level", yet continued to stand by its recommendation that shareholders vote in favour of the Royal Caribbean combination.

With less than a week left before the extraordinary general meeting, Carnival began lobbying for a delay or adjournment of the vote on the P&O Princess-Royal Caribbean merger until after anti-trust authorities had reviewed both transactions; or, if the meeting was not adjourned, to vote against the Royal-Caribbean combination. Arison recalled:

In the days preceding the extraordinary general meeting, we were able to get 48 out of the top 50 P&O Princess shareholders to agree to adjourn the meeting.

Arison and his senior management also bought a small amount of P&O Princess stock so they could attend the extraordinary general meeting held in London on 14 February. Arriving early, Arison sat down in the front row and at several points asked permission to address the audience. Each request was met by hostile retorts and even personal insults aimed at him and his father.

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