The Fourth’s estate:
It’s time to listen to InBev

By Andrew Ross Sorkin

They call him The Fourth. As a child, he was a rambunctious little kid. As a teenager, he was a rebellious troublemaker, playing pranks and breaking his curfew. By college, his transgressions went well beyond youthful indiscretions: A woman he was with, a local waitress, was killed when his Corvette crashed at 6:30 in the morning. He fled the scene and was found with blood on him eight hours later. His close-knit family rallied around him and sent in high-powered lawyers, and the police dropped the investigation after evidence was misplaced.

Two years later, he was involved in a high-speed car chase with the police and was accused of trying to run over an officer with his Mercedes. Again, the family’s lawyers swooped in and he was acquitted.

When he graduated, he went to work for the family business. Now he is the chief executive. The company? Anheuser-Busch.

The Fourth is August Anheuser Busch 4th, a descendant of Adolphus Busch, the founder of Anheuser-Busch. He turned 44 on Sunday.

He has been running the company for about 19 months. Given his party-boy history — and, for that matter, given that he may have inherited his position more than earned it — it is perhaps not surprising that Anheuser-Busch is struggling, just as it has been for nearly a decade. Its more aggressive rivals, meanwhile, are growing at a rapid clip and becoming global.

So The Fourth is now on the receiving end of a $46.4 billion takeover bid from InBev, the Belgian-Brazilian maker of Stella Artois, Beck’s and Bass run by Carlos Brito, a tough-as-nails executive.

Brito’s offer of $65 a share in cash is a 35 percent premium over Anheuser-Busch’s 30-day average share price. The offer represents an 18 percent premium over the company’s all-time high of $54.97, a price Anheuser-Busch’s shareholders — one of whom is Warren Buffett — have not seen in six years.

What shareholder wouldn’t want to take the $65? But the shareholders are not going to get the chance if The Fourth has his way.

The company’s board has said it will evaluate the proposal carefully, and will make a determination in “due course,” a view that Anheuser-Busch reiterated to me Monday, refusing to comment further. They always say that.

Back in the real world, The Fourth, his father, August Busch 3rd, and the board are already preparing to fight the offer, some people involved in the deliberations said. Other people tried to persuade me that they were all working in “good faith,”

The Fourth told a meeting of beer distributors in Chicago in April, when rumors were swirling about the company’s ability to remain independent, that no sale would happen “on my watch.” Anheuser-Busch hired Goldman Sachs before the InBev bid was formally made, along with Citigroup, and both banks have been working overtime to build “fantasy” models that show the company is worth much more than the InBev offer. They always do that, too.

The board of Anheuser-Busch is so stacked with Busch family members that some of its independent directors — who include Edward Whitacre Jr., the former chairman of AT&T — have privately explored the possibility of hiring their own lawyers to get independent legal advice, outside of Skadden, Arps, Slate, Meagher & Flom, which is representing the company, people involved in the talks said.

The board has historically been criticized for its governance: The Corporate Library gives Anheuser-Busch’s board a grade of “D,” citing, among other things, conflicts on the board. For example, the company paid $12.2 million to Enterprise Rent-A-Car, whose chief executive, Andrew Taylor, is on the board.

And how much stock do the Busches own? Would you believe 4 percent — even less than Jerry Yang’s stake in Yahoo? Of course, some family members’ reasons for wanting to hold on to the company have nothing to do with ultimately rewarding shareholders, and everything to do with holding on to a company around which their family identity revolves.

Already, family members and some members of management have been busily campaigning behind the scenes in St. Louis, Missouri, where the company is based, to keep Anheuser-Busch from being taken over. They are trying to make the deal a political issue. Locally, it’s a hot topic.

During the weekend, a miniature march took place before the St. Louis Cardinals baseball game against the Philadelphia Phillies, with people wearing T-shirts and buttons that asked to save Anheuser-Busch. A Web site, saveab.com, already has an estimated 30,000 signatures, including those of the governor of Missouri and the mayor of St. Louis.

But before The Fourth and his family go too far, they should consider that their approach could backfire. Yang, the founder of Yahoo, learned the hard way just how far saying no goes you. He might lose his job because of the lengths he went to thwart Microsoft. The Bancrofts, who sold Dow Jones to News Corp. under duress, also learned what saying no can mean: they didn’t get a dollar more than the original offer and embarrassed themselves in the process.

That is not to say that The Fourth shouldn’t seek a higher offer. The company will probably say that its growth trajectory makes it worth more and question InBev’s financing. But it does mean trying to reach a friendly deal as quickly as possible. Otherwise, this could turn into a months-long soap opera revealing just how dysfunctional the family can be. The Fourth and his father have long had a strained relationship. Other colorful characters in the family could emerge. Years ago, The Fourth’s cousin Peter accidentally killed a friend with a rifle in his home.

One person involved in the talks said: “We all know how the story ends. It is just a matter of how we get there that could make this interesting.”

In the end, Anheuser-Busch’s defenses are weak. There’s no staggered board and shareholders can act by written consent — meaning that they can oust the board at any time. But that’s not the real point. The Busches have done a lousy job managing the company and shareholders have suffered.

So rather than just say no, The Fourth should sit down with InBev’s Brito. And bring a Bud.