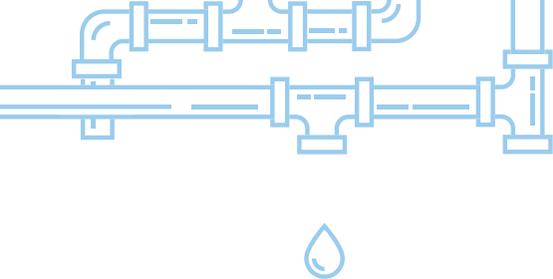


When Deals Spring a Leak:

A look at the impact leaks have on major deal announcements



“What do we do now?”

It is the nearly inevitable shout of frustration from corporate leaders across the world when news of their planned deal makes its way to the press before announcement day.

Leaks have long been a fact of life in M&A circles. They are a well-known area of risk that could create new tension at the negotiating table or tilt valuations in a way that kills a deal altogether.

But what about when a leaked deal survives all that and makes it to the finish line? Does that leak have any lasting impact with media and other stakeholders? At a time when businesses are under increasing scrutiny from employees, customers, politicians, regulators and, of course, investors, every moment in the spotlight needs to be carefully managed. The potential residual impact of a leak needs to be understood.

To answer some fundamental questions about leaks and media coverage, Abernathy MacGregor analyzed the average monthly news volume (AMV) of companies involved in nearly 200 of the largest transactions (enterprise value of \$5 billion or greater) announced over the past three years in North America. We sought to answer:

How much attention does a merger announcement really create for a company?

With a heightened focus on business news and M&A especially, how many deals leak prior to announcement day?

What impact does a leak have on media interest in announced deals?

M&A creates dramatic spikes in media attention.

Increase over 12-month AMV for all deals leaked and not leaked:

BIDDERS
+292%
TARGETS
+552%

Big deals leak A LOT.

42%

Transactions publicly reported on prior to announcement

Leaks lower interest around announcements.

BIDDERS
+103%
TARGETS
+29%

Increase over 12-month AMV for leaked deals

The conversation on your deal can happen without you.



Announcement month volume for target companies was at or below 12-month AMV for 27% of leaked deals

11
days

Average number of days the leak took place prior to announcement

M&A creates dramatic spikes in media attention.

A deal is likely the highest profile news event for any company.

With a recent M&A boom the past few years, it can be easy to think that transaction announcements are routine business. The reality is the spotlight burns bright any time a company makes a multi-billion dollar move.

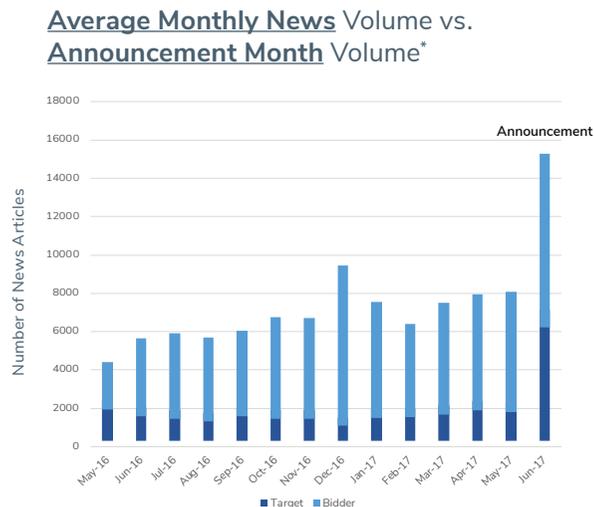
Our study showed that a major transaction announcement on average, creates a 292% increase in media attention for bidders and 552% for targets. Put simply, a deal is likely the highest-profile news event of the year for any company, and creates an extraordinary moment of attention for the target company.

In a world with changing stakeholder expectations, boards and management teams should carefully consider how to navigate a sudden influx of attention. Seize the opportunity of this attention to enhance your public perception with a broader narrative. While a large transaction can often be complex and even intimidating to many stakeholders, it is clear these spikes in attention mean it must be addressed directly. Straightforward, simple language that gets to the heart of stakeholder concerns is a must. Carry stakeholders with a steady cadence from announcement to approval. Strengthen messaging by anticipating skeptics. Reach stakeholders across multiple channels.

Increase over 12-month AMV for all deals leaked and not leaked:

BIDDERS
+292%

TARGETS
+552%



*Companies represented: Whole Foods and Amazon

Big deals leak A LOT.

42%



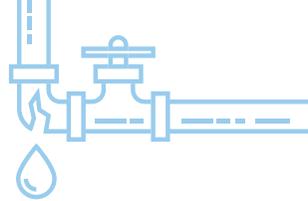
Transactions publicly reported on prior to announcement

Anyone who has ever worked on a deal knows that leaks are a fact of life. Major news organizations including *Bloomberg*, *Financial Times*, *Reuters* and *The Wall Street Journal* dedicate global teams of reporters with one goal in mind: break news on deals before they're formally announced. In some ways, leaking has gotten easier as reporters now receive anonymous tips via encrypted messaging apps.

Our study showed that nearly 42% of all major* deals examined were publicly reported on prior to a company announcement. This number would be even higher if we included deals that were speculated about publicly but fell apart before announcement day, perhaps because of the pressure created by a leak.

Leak risk can never be eliminated (and in some cases leaks can be strategically helpful). However, Boards and management teams should consider how to manage their teams of advisers and run a process that upholds confidentiality and preserves the organization's ability to tell its story on its own time. Engaging communications specialists early can help put in place another information channel that can gather early warning signals from media about leaks and help engage reporters to properly balance a potential story.

*Study exclusively examined transactions defined as \$5bn or greater in enterprise value as recorded by Mergermarket



Leaks lower interest around announcement.

A leak can impact negotiations and prevent companies from ever reaching a deal. But does a leak have an impact even when the companies do manage to cross the finish line and announce a deal?

Our study showed that leaked deals were significantly below the average announcement uptick in media attention. Instead of a 292% and 552% increase for bidders and targets, our study revealed that bidders only saw a modest 103% increase and targets just a mere 29% increase. What should be a monumental news moment for a target company becomes barely an above average month of news.

This result clearly shows that a leak takes some of the buzz out of announcement day. Media often feel that the story has been covered, even if the deal has yet to be confirmed. This is a critical indicator that when a company can finally speak to a rumored deal in its own voice, the world is not listening as intently. If media are looking elsewhere, employees, customers, regulators and others are likely doing the same. No two deals are the same, so it's impossible to say this is always a negative outcome. Consider that in some complex situations the lowering of attention may be a welcome result.

What should be a monumental news moment for a target company becomes barely an above average month of news.

	NON-LEAK	LEAK	
BIDDERS	+292%	→ +103%	The Day-One AMV for leaked deals is significantly less than for a non-leaked deal.
TARGETS	+552%	→ +29%	

The world won't wait for you to speak.

Leaks come at all times. There are leaks minutes before the press release is issued and there are leaks before one company even approaches another. In a world where news cycles turn every minute and attention spans are short, what is the impact of a leak that occurs days or weeks before an announcement? What happens when the world has time to think about and talk about your deal long before announcement day?

Our study revealed that announcement month volume for target companies was at or below the 12-month AMV for 27% of leaked deals. In examining the data, we found that the leak for these deals took place on average 11 days prior to a deal announcement.

It is a clear indication that media interest (a key indicator for other stakeholder interest) around an announcement of a deal effectively runs out. The conversation about this pivotal moment for two companies is effectively done by the time the companies can legally talk about it.

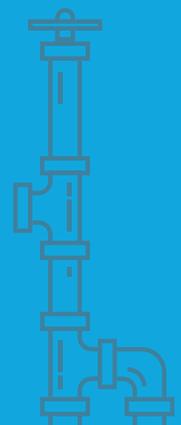
For Board and management teams, this is a critical finding. When a leak occurs several days before an announcement, the communications strategy needs to shift. How can we make sure that key messages about this potential transaction are being heard in the media now? More importantly, how do we make sure our announcement day message breaks through to stakeholders that may feel they know everything already?



Announcement month volume for target companies was at or below 12-month AMV for 27% of leaked deals

11 days

Average number of days the leak took place prior to announcement

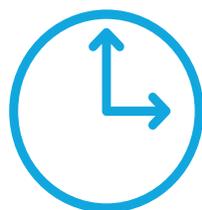


Our Recommendations



Put a Plan on the Shelf

Suddenly becoming the focus of national attention can have meaningful impact for even well-known brands. Thoughtful, integrated, compelling omni-channel communications can take time to create – time that deal talks don't always allow. It is difficult to plan for everything, but solid foundational work can be done around broad scenarios. Companies should think through acquisition communications even on a clear day and put a framework in place.



Engage Communicators Early

Often communicators are kept at arm's length in early deal talks. Things are fluid and a transaction is never assured. However, a small group can add real value in serving as an early warning on leaks, managing leaks if they arise and setting a framework in place to maximize any announcement.



Set a Tone at the Top

Everyone knows that leaks are problematic. But they happen a lot. The most leak-proof deal processes start with a tone at the top. When Boards and CEOs make it explicit early and often that confidentiality is paramount and leaks will not be tolerated, we see fewer leaks.



Adapt to the Leak

Once a deal has leaked, negotiators tend to go heads down to work frantically to sign a deal. However, communicators must work heads up in the new reality. Leaks start the conversation with stakeholders, even if the company isn't speaking. The best announcements recognize that fact and find a way to join the conversation with stakeholders to gain their acceptance and support.

About Abernathy MacGregor

Abernathy MacGregor is a leading strategic communications advisor that is a member of Havas SA, which is one of the largest global advertising and communications groups in the world. Abernathy MacGregor provides communications, engagement and advocacy expertise that helps clients build and preserve value, seize opportunities and solve problems in today's highly complex, dynamic and interconnected world. Since 1984, the firm has brought to every engagement superior, customized strategies and an intensely collaborative and high-energy commitment to its clients.

Abernathy MacGregor operates from offices in New York, Houston, Los Angeles, San Francisco and Washington, D.C. and is a founding member of AMO, which is the leading international network of strategic communications consultancies.

A recognized leader in M&A communications

Abernathy MacGregor is a recognized leader in transaction communications. The firm consistently ranks as a top adviser in M&A in the U.S. and globally including ranking as #1 in worldwide deal value with its global partners and as the #1 adviser to private equity firms in North America. The firm offers comprehensive transaction communications services reaching all stakeholder groups across channels. The team supports clients pre-announcement, on announcement day, in securing key approvals and through integration.

For further information please contact:

Pat Tucker, Managing Director (PCT@abmac.com)

Eliza Ruggiero, Vice President (EPR@abmac.com)

Jake Yanulis, Vice President (JJY@abmac.com)

Heidi Crowe, Director of Research and Information Services (HMC@abmac.com)

#1

Ranked adviser for
PE transactions
(The Deal)

\$152bn

value in 2019 across
47 transactions
(Mergermarket)

291

total number of
transactions international
partnership advised on in
2018 worth \$297bn
(#1 worldwide ranking)
(Mergermarket)

Key Definitions and Methodology

Deal Criteria

Period of Analysis:

Data set features transactions announced from 1/1/2015 – 12/31/2018

Transaction Size:

Announcement value of \$5bn or greater in enterprise value as recorded by Mergermarket

Geographic Consideration:

Data set includes transactions where at least one party (buyer or target) is based in the United States

Volume of Deals: 189

Media Coverage Methodology

Source: Factiva

Search string incorporated merger- and acquisition-related terms in combination with bidder and target company names

“Leak”

For purposes of this study, a “leak” was defined as a deal-related media mention of both bidder and target company names prior to company disclosure of deal negotiations or an announced transaction



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