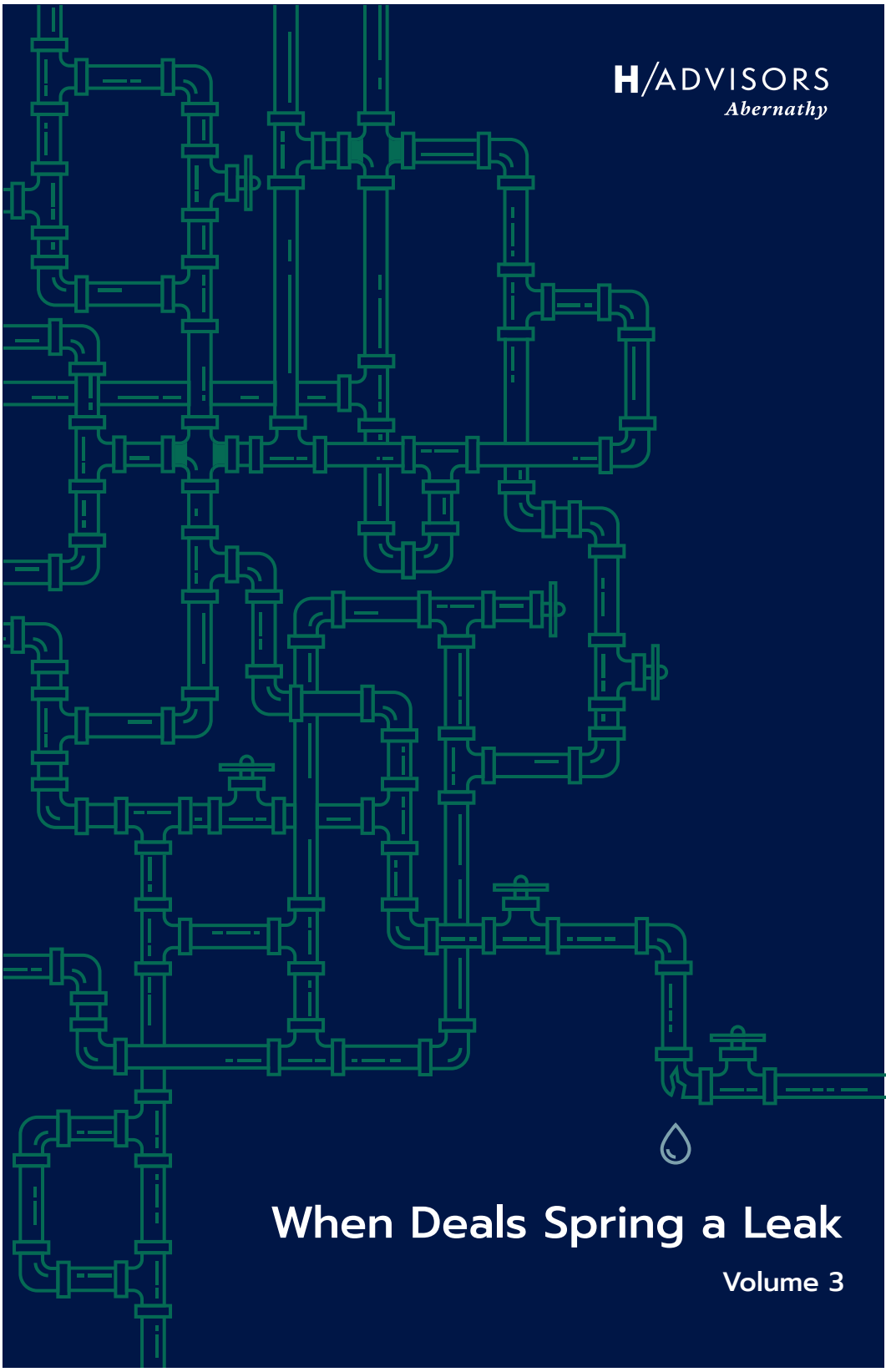
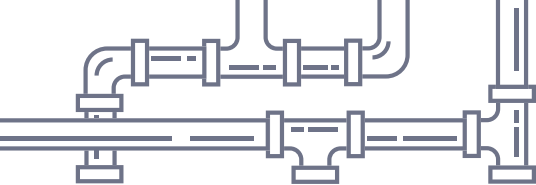




H/ADVISORS
Abernathy

When Deals Spring a Leak

Volume 3



"How *much* do they know?" "How do they know?"

After months of negotiating a transformative transaction and planning how to roll out the communications to investors and other key stakeholders, the call has arrived that corporate leaders and their outside advisers have long dreaded. A reporter has somehow gotten wind of the deal and called the company for confirmation or comment.

Leaks remain an unfortunate fact of life for dealmakers. **Our research has found that more than one-third of all major deals over the past six years were publicly reported in the media in some level of detail prior to the official announcement.** Our first two reports on this topic explored how to avoid a leak, if possible, and what a leak means for the level of media attention a deal receives when ultimately announced. We have looked at many aspects of leaks: how often deals leak year-over-year, how many days prior to announcement leaks typically occur, how the frequency of leaks changes across industries and if there is a seasonality component to when leaks may occur. We sought to understand how deal communicators could use data to anticipate and plan for this risk.

Our third report is our first analysis of leaks in a slowing M&A market. **In this report, we examine how accurate leaks are when they occur, and the specificity of the information reporters obtain through a leak.** *Are reporters just fishing or do they have real information, credible enough to publish? What details of your "confidential" transaction can you expect to read in tomorrow's newspaper (or more likely, in a breaking news tweet)?* These questions have become critically important as news stories featuring leaks seem to be coming earlier and on faster deadlines than before.

This year, we also turned our attention to an entirely new question: what should dealmakers expect in digital and social media when a deal leaks? As in past years, we examined the "AMG Deal Database," a specific set of transactions for which Abernathy MacGregor has compiled related communications data. We reviewed 398 transactions dating to 2015 with announcement values of \$5 billion or greater in enterprise value, as recorded by Mergermarket, and where at least one party (buyer or target) was based in the United States. For our first half of 2022 leaks data, we expanded our scope to evaluate transactions with announcement values of \$2 billion or greater, totaling 147 transactions announced between January 1 and June 30, 2022.

Leaks are still prevalent, but less frequent through the first half of 2022

30% of deals leaked

70% of deals valued at \$15 billion and greater leaked in advance of the official announcement

Media leaks are happening earlier in the M&A process

In 2022, media leaks occurred an average of

28 days

prior to the eventual deal announcement

60+%

of leaks happened more than seven days before the announcement

32%

of leaks happened the day before a public announcement

Leaks are very accurate

75% of leaks correctly named both merger parties

60% of leaks reported the transaction value within a 10% margin

Less accurate about timing – fewer than 50% of leaks accurately reported when a deal would be announced

Some sectors are leakier than others



Nearly 1/2 of transactions involving technology companies leaked



Nearly 3/4 of transactions in the financial services sector leaked

Leaks spur significant, immediate increases in online search traffic for companies mentioned

In the first 24 hours after a leak, named companies experienced an average of 372% more comments on social media than their pre-leak daily average

2x

Online searches for bidder and target companies more than doubled in the 30 days following a leak

First half 2022: fewer leaks, but they happened earlier

So far in 2022, leaked deals appeared in media coverage an average of 28 days prior to an eventual announcement.

Given market volatility and unpredictability during the first half of 2022, we expanded our dataset to evaluate announced deals with a transaction value of \$2 billion or greater to provide an early look at M&A leaks this year. What did topsy-turvy markets so far this year mean for M&A leaks?

We found that, over the first six months of 2022, fewer deals leaked than in previous years. **Approximately 30% of announced M&A through June 30, 2022 leaked to media prior to announcement.** However, mega-mergers continued to be almost certain to leak – **70% of deals valued at \$15 billion and higher have leaked this year.**

Our data showed that when deals leak, they are doing so earlier than ever before. So far in 2022, **leaked deals appeared in media coverage an average of 28 days prior to an eventual announcement.** That is a substantial increase compared to the 11-day average leak time found by our prior report.

Has an uneven market led merger parties or jilted bidders to test market reaction to deal value and terms earlier than before in an attempt to influence the negotiation process? Has this year's overall downturn in announced M&A caused hyper-competitive media to catch wind of certain deals earlier than in the past? Perhaps. Either way, companies and advisers embarking on M&A must begin leak contingency planning several weeks earlier than in prior years.

Names will be named

When it comes to general “market speculation,” it is common for rumors to circulate about a particular company potentially being a seller – or a buyer – without anyone naming a specific counterparty. A leak credible enough for publication, however, particularly in a top-tier media outlet, often requires that the reporter be able to identify both the target and the bidder. Our research shows that, among M&A leaks during 2021 and the first half of 2022, **75% of the time both company names are published in the article.**

Also highly likely is that the media coverage will name a price or valuation for the deal, even if it is a ballpark range, that ends up being very close to the actual announced transaction value. Based on our review of the data, **the initial media reports on 60% of leaked deals included the approximate deal valuation** (ballparked within 10% accuracy).

Our data also showed that media leaks of transaction rumors have been less likely to include accurate expected timing of a future transaction announcement, with **fewer than 50% of the leaks we analyzed correctly forecasting when a deal between the parties will be reached.**

These facts suggest that when it leaks, it pours, and plans for a leak should be built on the assumption that – despite all precautions – both parties involved in the transaction (and possibly the price as well) will become public knowledge before the planned announcement date. If the exposure of that information is damaging to either company or to the deal, this might argue for accelerating the announcement timeline, if possible, so that the companies can communicate openly with their stakeholders.

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The impact of digital on leaks

To investigate the digital impact of leaks we analyzed the top 10 deals by value in 2021. We found that when a deal leaks, both bidding and target companies can expect the online spotlight to grow brighter. **Mentions on social media for companies named in a deal leak increased an average of 372% in the five days following a leak, and searches related to the deal and its corporate entities surged an average of 102% in the 30 days following a leak.**

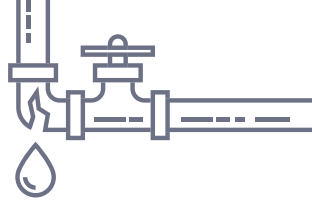
One example is the WarnerMedia-Discovery transaction, announced in May 2021, in which both corporate brands experienced nearly 14x greater mentions on digital channels during the first 24 hours of the leak compared to their respective pre-leak averages. Over the next three days, before either company could make a formal announcement, the volume of online conversation about the transaction increased another 12x.

As another example, one of the top 10 largest deals of 2021 by transaction value, Oracle's announcement to acquire Cerner experienced the largest uptick of digital attention within its first 24 hours after a leak. In the four days after the transaction was first leaked to media but before an official announcement, each company saw a jump of nearly 30x more mentions on social media.

For both transactions, the volume of online coverage about each media leak was equal to or greater than digital/social media attention paid to the formal announcement. That wave of attention makes it critical that the target and bidding companies have updated and optimized their social media channels, websites and executive profiles online well in advance of a planned deal announcement.

Once a leak happens, the search results for the parties involved see an immediate impact as a new and larger swath of key stakeholders search for verified information about each company. In 2021, keywords related to M&A transactions (i.e., merger, acquisition, takeover etc.) ranked among the top two most used keywords for bidder and target brands in the 30 days following a leak.

When a deal leaks, both bidding and target companies can expect the online spotlight to grow brighter.



Even for deals that don't leak, a company's website reigns supreme when it comes to online traffic about a deal. For M&A transactions announced last year, corporate-owned websites were the top-ranked referring domain in 88% of the largest deals. This means that, for most deals, company-owned content such as what resides on the Investor Relations web page, official press release posted to the corporate site or deal-specific microsite were the most visited online sources for information about the deal – even greater than news coverage or Wikipedia pages.

Among social channels, Twitter was the top driver of online conversation for the 10 largest deals of the last year by value. Companies involved in these transactions experienced an average of 20x the number of posts as their respective non-deal average.

What does all this information tell us?

When a deal is nearing completion, digital channels should be a central consideration as part of the communications toolkit to protect the reputation of the bidding and target companies. As detailed in our research, digital discovery is often where investors, consumers and journalists go to find information about both bidding and target organizations. In preparation for your next deal, consider this:

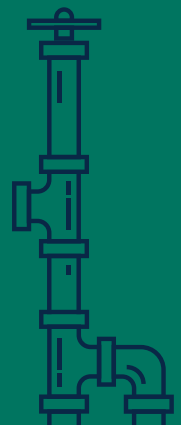
- Bidder and target companies should update their social and website profiles, making these pages discoverable and up-to-date. If a leak happens, these online profiles will be accurate and complete.
- Create an owned content strategy to announce your deal. Since online users visit company-owned content about M&A more than any other source, use this trend to your advantage and create clear, compelling and direct owned content to communicate your transaction.
- Prepare a plan to share transaction details across social and owned channels once a deal is ready to be announced. These channels have become go-to sources of information for investors and journalists.
- If a leak happens, monitor the social media landscape to see how much attention the deal earns relative to traditional media. Learn from the reaction to help guide announcement planning.



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Twitter was the top driver of online conversation for the 10 largest deals of the last year by value.



Our Recommendations



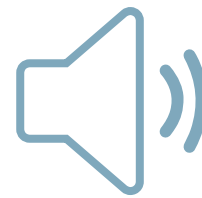
Put a Plan on the Shelf

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.



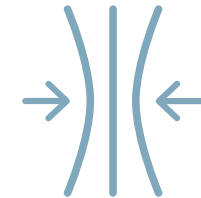
Engage Communicators Early

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.



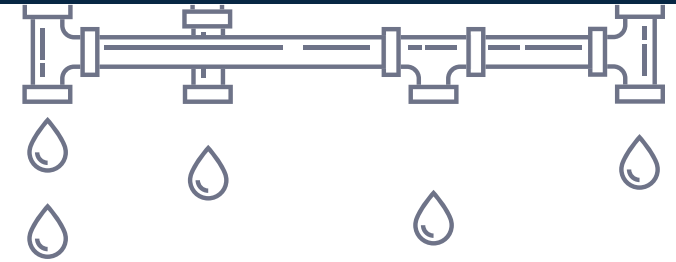
Set a Tone at the Top

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 H/Advisors Abernathy

H/Advisors Abernathy is a leading strategic communications advisor. The firm 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. H/Advisors Abernathy operates from offices in New York, Houston, Los Angeles, San Francisco and Washington, D.C. and is a founding member of H/Advisors, which is the leading international network of strategic communications consultancies.

A recognized leader in M&A communications

H/Advisors Abernathy consistently ranks as a top adviser in M&A in the U.S. and globally, and in 2022 was named The Deal's "Public Relations Firm of the Year" for M&A and activism defense. With a distinctive data-driven practice and a tailored approach that incorporates a focus on all stakeholders, the M&A team has established itself as the leader in transformative transactions. The firm has advised on more than 1,100 transactions in the past decade, including 126 transactions with a value of greater than \$175 billion in 2021. The firm offers comprehensive transaction communications services reaching all stakeholder groups across all channels. The team supports clients prior to announcement, on announcement day, in securing key approvals and through integration.

126

transactions
advised on in 2021

\$175+bn

value of transactions
advised on in 2021

1,100+

transactions advised on
in the past decade

PR
Firm
of the
Year

in 2022 by The Deal

Key Definitions and Methodology

Deal Criteria

Period of Analysis:

Data set features transactions announced from January 2015 through June 2022

Size Consideration:

Announcement value of \$5bn or greater in enterprise value as recorded by Mergermarket, with the addition of transactions announced in 2022 with announced value of \$2bn or greater

Geographic Consideration:

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

Volume of Deals: 493

"Leak"

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

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