

M&A Leaks

Mid-Year 2023 Snapshot

As H/Advisors Abernathy continues to track and analyze the firm's proprietary database of M&A transaction leaks, we are providing for the first time a mid-year snapshot of our findings.

Amid an uncertain and volatile environment, with widely reported challenges financing deals and bridging gaps in valuation expectations, **deals are still being announced in 2023, and they are still leaking, albeit not as much.**

37%

fewer deals
in H1 2023

181 deals valued at more than \$1 billion were announced during the first half of 2023, down approximately 37% from the 290 announced during the same period last year.¹

21%

of 181 deals
leaked

Of the 181 announced deals, we found 21% leaked prior to the public announcement.

41 days

Average leak
lead time

In the first half of 2023, deals leaked an average of 41 days prior to announcement. This is up from the average of 28 days early in the first half of 2022.

46%

of \$5B+ deals
leaked

For larger deals, those valued at greater than \$10 billion, 46% leaked during the first six months of 2023.

Reporters continue to dig for more information as negotiations progress and with fewer deals in the pipeline, the competition is fierce.

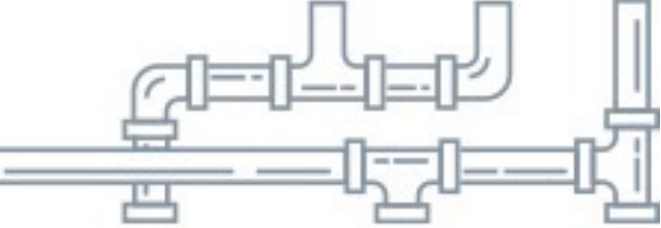
Our research found that nearly **15% of rumored deals that leaked did so on multiple occasions as the negotiation process progressed**, with subsequent rounds of leaks including more details about the potential transaction.

Of the potential deals that had multiple leaks, 46% were valued at \$5 billion or more.

Why is this happening? Several of these multiple-leak examples were auction processes, that involve multiple parties over what might be an extended period of time, increasing the opportunity for word to get out. Additionally, less large-cap deal activity likely leads to increased focus on the small number of deals that are being negotiated.

We always advise that companies plan for the possibility of a leak. Transaction processes that experience a leak should now expect that leaks may continue and should build a communication strategy with that in mind.

¹ In our previous annual reports, we only evaluated deals with reported values greater than \$5 billion, but we expanded our search criteria this year due to the preponderance of transactions with lower values. All data recorded by Mergermarket



Leaks may be getting less accurate, at least when it comes to transaction value.

In our 2022 leaks report, we noted that leaks were getting more accurate, with nearly 60% of leaks reporting the transaction value within a 10% margin.

While that may have been the case in 2022, the first half of 2023 suggests otherwise, as only 30% of leaks accurately reported the transaction value within a 10% margin.

Has the uncertain macro environment and high cost of capital led to an increase in more complex deal structures make valuing a deal more difficult? Or are M&A reporters, ever the competitive types, forgoing the same rigor when it comes to valuation in order to scoop their competition?



The likelihood of leaks increases with deal size, but this year the difference was slight. 12% of transactions valued between \$1 billion and \$5 billion leaked.

Some sectors are leakier than others –

but the specific sectors that are the leakiest aren't always the same year upon year.

Thus far in 2023, entertainment industry transactions have been the most likely to leak, with 67% of deals valued at greater than \$1 billion leaking in the sector.

Interestingly, 50% of the announced transactions in the entertainment sector that leaked were transactions involving sports-focused entities, and several of the journalists breaking those stories were sports reporters, not the M&A-focused reporters who traditionally drive M&A leaks.

LEAKIEST SECTORS

Percentage of deals leaked in 2022:

67% of ENTERTAINMENT DEALS

25% of FOOD AND BEVERAGE DEALS

25% of RETAIL / E-COMMERCE DEALS

We continue to closely track and assess public leaks of M&A transactions, and we look forward to publishing our annual full-year 2023 M&A leaks report in January 2024.

Our leaks research is based on the "Abernathy Deal Database," a specific set of transactions for which H/Advisors Abernathy has compiled related communications data. We reviewed 181 transactions from January 1, 2023 to June 30, 2023 with announcement values of \$1 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. We have also included potential transactions reported on by the media but for which a value was not disclosed, and the transaction has not yet been officially confirmed. We excluded from our data deals that were announced in 2023 but leaked in 2022, as these were previously included in our 2022 report.

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 more than 225 transactions in 2021 and 2022 with a value of \$275 billion. 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.