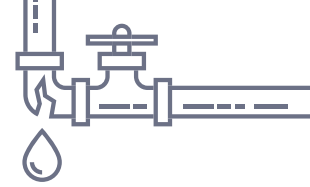
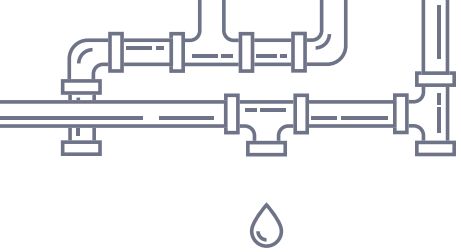




H/ADVISORS

Secrecy vs Scoops

Global Leaks Report | Volume 1



Secrecy vs Scoops

It's one of the biggest challenges in the M&A market. On one side, corporate leaders and their trusted financial, legal and communications advisors – all bound by strict Non-Disclosure Agreements – are working as a tight team towards the moment a transformative merger or acquisition can be announced to the market.

Against them is a pack of tenacious and well-sourced financial and business reporters constantly on the prowl for a juicy news scoop to put them ahead of their media competitors and win more readers.

H/Advisors has been compiling data to keep the score in this "Great Game" since 2015 in the US market. This year, we have extended our leaks research to global markets, tracking 267 announced transactions around the world in 2022, with a value of \$2 billion and greater. Our findings show that one-third of publicly announced M&A deals in 2022 leaked prior to the official announcement and that the ability to keep a deal secret until that announcement depends greatly on the region, the sector, and the size of the deal.

In a nutshell, our report shows that deals in Western Europe and Asian markets have only about a 50% chance of making it to the announcement date without first appearing in the press, be it via rumors, speculation or a "source familiar with the situation."

Deals involving companies in the consumer, healthcare, and tech sectors especially tend to attract significantly more interest from reporters. And the larger the deal, the more likely it is to leak.

Why does this matter? Mergers and acquisitions rank among the most significant and complex events that any corporate leader or boardroom can face. The reaction of markets, and indeed of all the company's stakeholders, to surprise news of an impending transformational deal can put undue pressure on executives, challenging – or even derailing – ongoing negotiations, and harming corporate reputations.

H/Advisors' annual research on when and where deals leak serves as a useful reminder, underpinned by data, of the need for corporate leaders around the world to work with experienced communications and stakeholder engagement professionals during M&A transactions to be well-prepared so that they can respond quickly, effectively and professionally, right from the start of the process.

Total value of all leaked deals
last year

\$799.93 billion

with a minimum deal value of

\$2 billion

The region most likely to leak:
APAC - 55% of all deals there
leaked

The region least likely to leak:
Americas (Non-US) - 19% of all
deals there leaked

How accurate are leaks?

19% of all deals leaked got the
final price right (within 5%)

26% overestimated the final price

10% underestimated the final price

Social media
channels
accelerate on the
announcement day
of a leak.

Some leaks
increased activity
on Twitter by
254%,
and up to

Some sectors are more likely to leak than others.

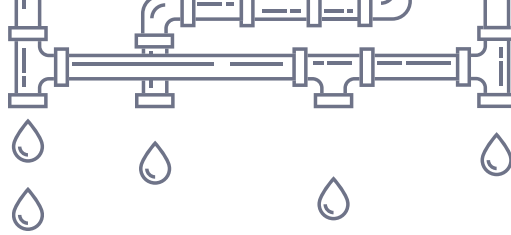
39% Manufacturing, Industrials
& Chemicals

45% Transportation

48% Retail, Food & Tobacco

50% Aerospace & Defense

16,332
more mentions
than on the day
of the leak



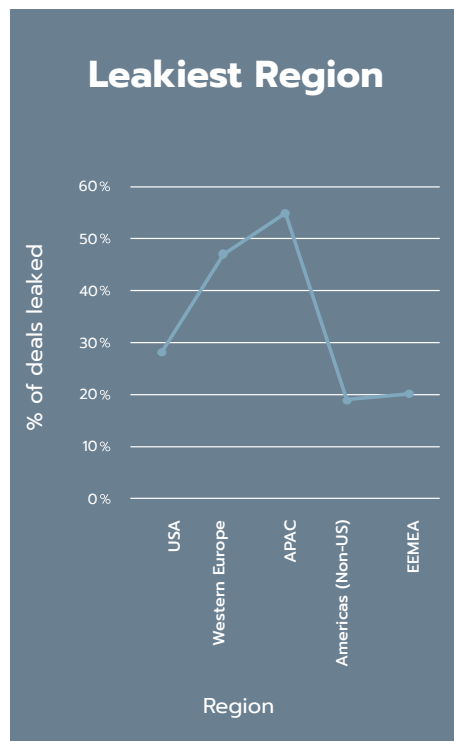
Where are deals most likely to leak?

The leakiest region by far last year was Asia-Pacific, including China, India, Southeast Asia, and Australia, with over half of the 20 M&A deals worth \$2+ billion that were announced there failing to maintain confidentiality up to the announcement date. Any attempt to pin reasons on this phenomenon would be speculative, but factors could include the fact that the investment professional communities are smaller and work in close proximity within the financial centers there, hounded by an especially lively financial press.

Western Europe, which saw three times more deals announced than APAC, with **60 deals over \$2 billion in all, was also quite porous, with a 48% leakage of deals.** Reasons for this high incidence obviously vary widely, ranging from vigorous competition among the substantial London-based financial press corps, to the early involvement of union representatives in many continental European countries, notably Germany and France.

The USA, by far the world's largest M&A market, accounting for well over half the 267 deals we examined, is significantly less risky for deal-makers looking to keep their transactions confidential.

Only 28% of the deals involving US targets leaked last year, slightly lower than the 33%+ rate that has been the norm in the US over the six years since H/Advisors started running its annual leaks research. However, as our data show, the larger the deal, the more likely it is to leak, with **nearly 80% of deals valued at greater than \$25 billion leaking before the official announcement.**

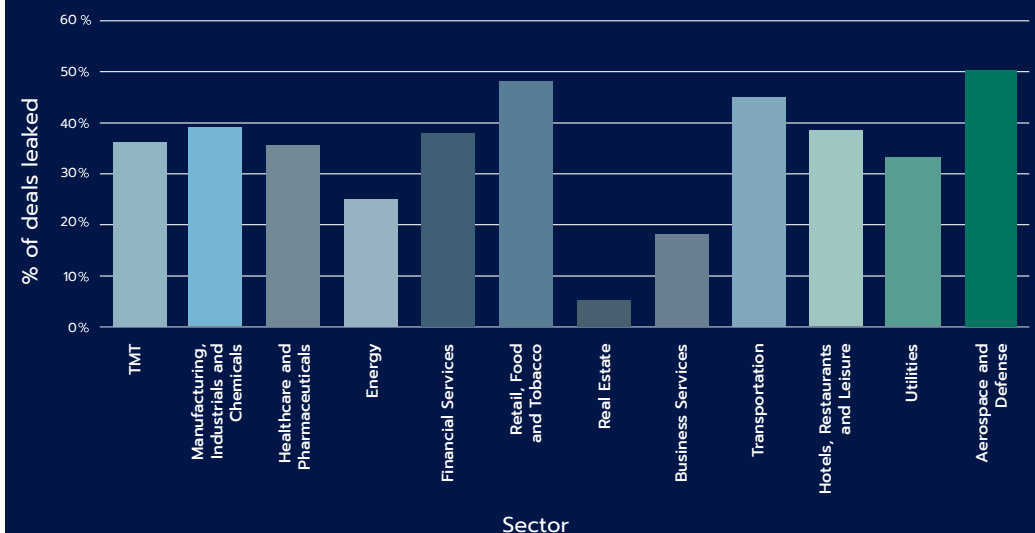


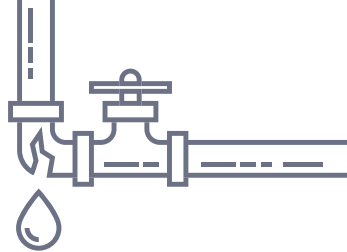
Which sectors leaked the most?

M&A reporters themselves will be the first to admit that they are most interested in deals involving names that spark recognition among their readers. This is the likely reason for the relatively high prevalence of leaked deals (48%) among the broad consumer-facing sector of retail, food, and consumer goods. Conversely, the real estate sector – which saw almost as many deals last year – only suffered one leak.

Other sectors that saw more than the average rate of leakage included those that attract a lot of media attention in their own right, such as TMT (technology, media & telecoms) with 36%, healthcare & pharmaceuticals (also 36%) and transportation, including the hot electric vehicles industry (45%).

Percentage of deals leaked per sector



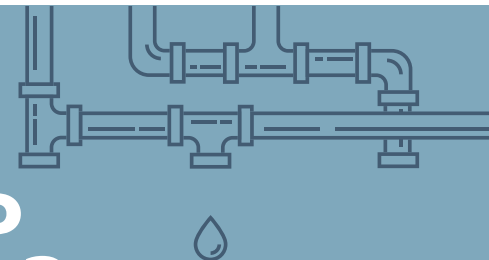
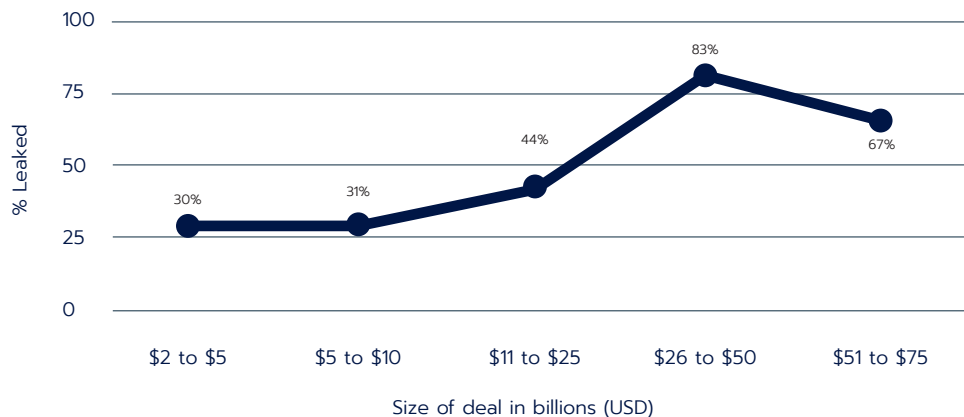


Is size a factor in leak frequency?

A very clear finding of our research was confirmation of the correlation between size of the deal and the relative likelihood of a leak.

Of the three mega-deals worth over \$50 billion tracked in our findings (Activision, VMware and Haleon), only Activision didn't leak. Among the next largest category of deals, between \$26 billion and \$50 billion, only one (GE Healthcare Technologies) evaded the M&A reporters' discovery pre-announcement date.

Among the smaller targets, however, between \$2 billion and \$5 billion, more than two-thirds got all the way to the finishing line without being noticed.

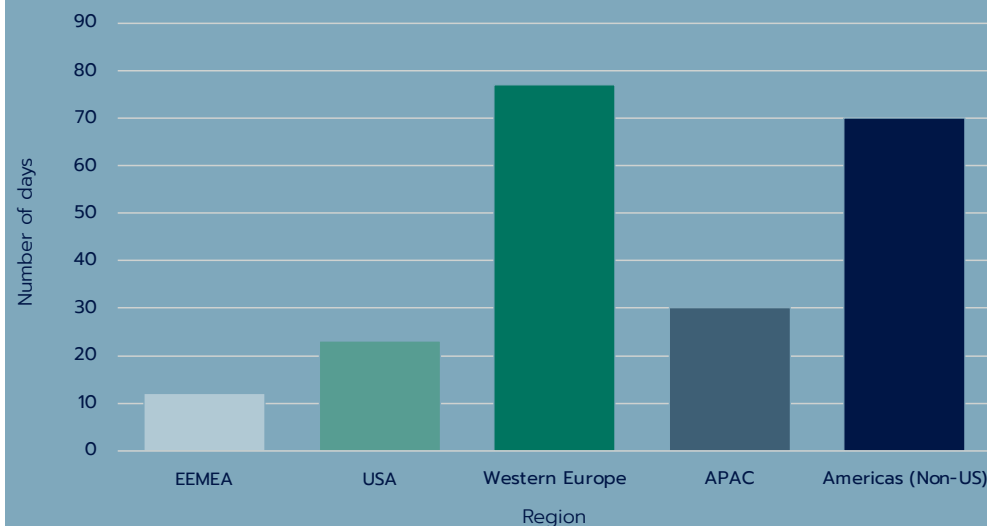


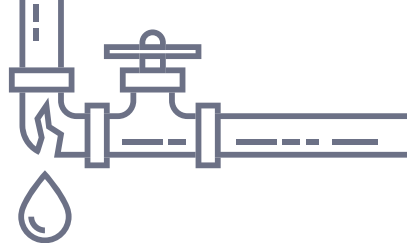
How early do leaks happen?

US deals tend to leak later than most other markets, on average almost 23 days before announcement. In Western Europe and APAC markets, on the other hand, **the leaks that occur come out much earlier in the transaction process, an average of 30 days early in APAC and about 76 days in advance of an official announcement in Europe.**

This finding could reflect the different regulatory environments dictating when deals must be disclosed when rumors start to swirl, or companies in certain countries being more inclined to accelerate announcements when leaks occur, but it was more difficult to draw definitive conclusions here.

Average days by region before deals are leaked





How accurate are the leaks?

When the news does break prematurely, it is with varying degrees of accuracy across the different regions.

In the vast majority of cases across all the major markets, leaks about impending deals pinpoint the names of the parties involved. **In the US, 79% of reports got the names right, rising to 81% in Western Europe and 85% in APAC.**

The accuracy in valuations was less reliable, clearly due to the fact that the price of a deal is often negotiated up to the last minute, and may also be subject to stock market fluctuations between leak and announcement. Only one in five of all the leaks we reviewed predicted the deal value accurately (within a 5% margin).

Almost half of the leaks (45%) didn't include any specific valuation, and for 26% of leaked deals, the rumored deal value was below the final transaction value as disclosed in the official announcement.

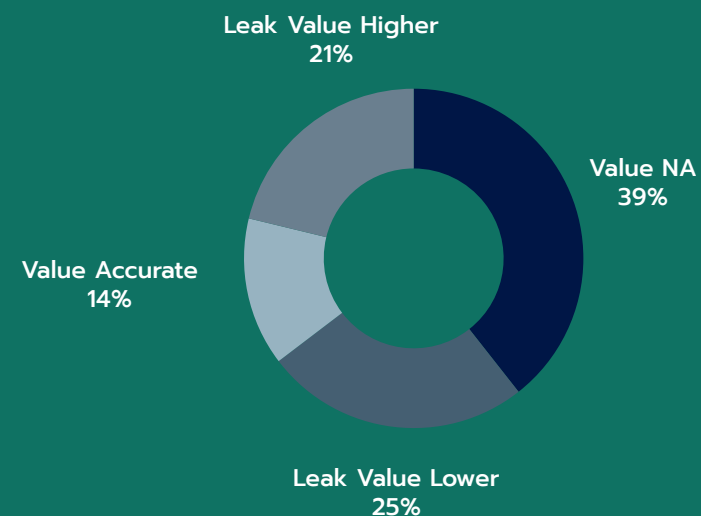
Looking at the valuation data region by region, the US and Western European markets had similar degrees of accuracy with just over one in five of the leaks reporting deal value to within 5% of that confirmed in the final announcement.

In the APAC markets, none of the leaks were near accurate, while a majority of the leaks (55%) gave no indication of the value at all.

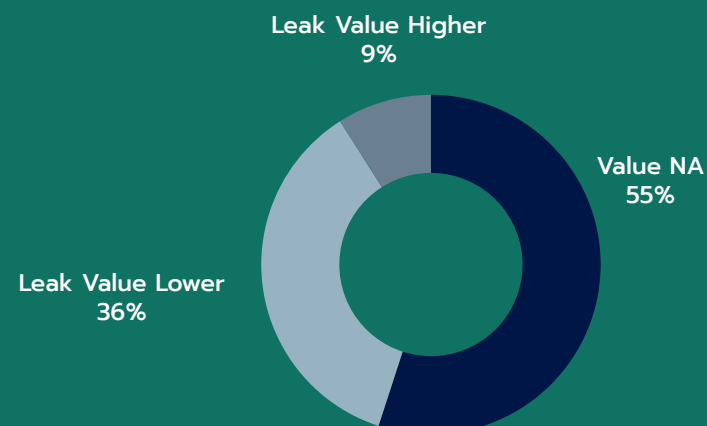
The number of deals recorded in the other two regions (Americas ex-USA and Eastern Europe, Middle East, and Africa) was too small to draw meaningful conclusions, but it is perhaps worth noting that the few leaks recorded there (two in each region) were all leaked with a nearly accurate valuation.

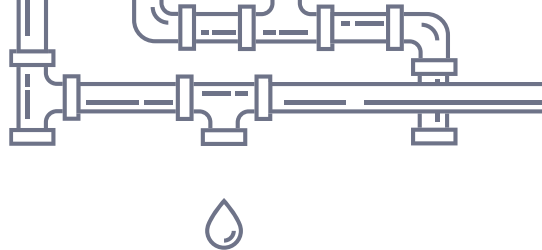
Value accuracy

Western Europe



APAC





How much attention do media leaks attract on social media?

Leaks about impending M&A deals often - but not always - precipitate a leap in social media coverage of the companies concerned. Our examination of social media mentions generated by leaks of the largest 10 deals announced last year showed a surge in social media mentions in some of the most prominent US cases. Notably, Elon Musk's bid for Twitter saw mentions of both parties surge 466% higher during the week following the leak of that deal. Equally notable was the extent to which social media concentrated attention in terms of time: for instance, 65% of all mentions of VMware's merger with Broadcom occurred on Twitter the day of the leak.

Other large transactions outside the US sparked little or no social media interest at all. For example, the leaks related to Unilever's bid for Haleon plc in the UK or Blackstone's bid for Atlantia SpA in Italy were barely, if at all, mentioned on sites like Twitter, despite being picked up by the news media.



Mentions earned on the announcement day were

1700%

higher than mentions earned on the day of the leak.

Target: Horizon Pharma

Bidder: Amgen

Twitter made up for

95%

of all mentions on the leak / announcement day.

Target: Seagen

Bidder: Merck

Twitter drove online conversation, up

541%

more than usual, accounts for

Target: Twitter

56%

of ALL mentions (including news) and

84%

of all social mentions.

Bidder: Elon Musk

On Leak Day, Twitter accounted for

46%

of mentions

Target: Albertsons

and Reddit accounted for

35%

of mentions.

Bidder: Kroger

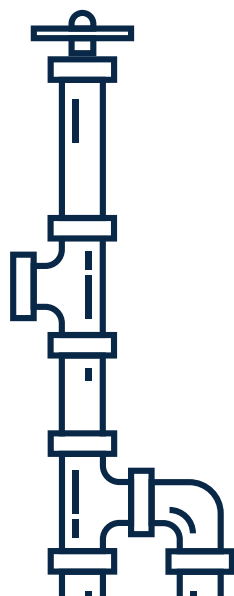
*Social media coverage of the 10 largest M&A deals that leaked in 2022

Why and how do deals leak?

There is no simple answer to this, and clearly a review of publicly announced data such as ours cannot provide forensic evidence of where and how each leak became public.

Based on our experience, leaks are almost always intentional and generally meant to sway negotiations, curry favor with a reporter, or impact the final result of the talks. **As our survey suggests, leaks come in many shapes and sizes, but understanding how they can impact the outcome of those talks can inform and sharpen corporate responses which, at their heart, need to protect the integrity of those negotiations.**

Reporters' sources can include corporate insiders, industry rivals, financial and legal advisors, independent bloggers, financial and industry sector newsletters, social media accounts, and indeed so many more that the risk of leak can never be ruled out.



Descriptive Statistics

Deals

267

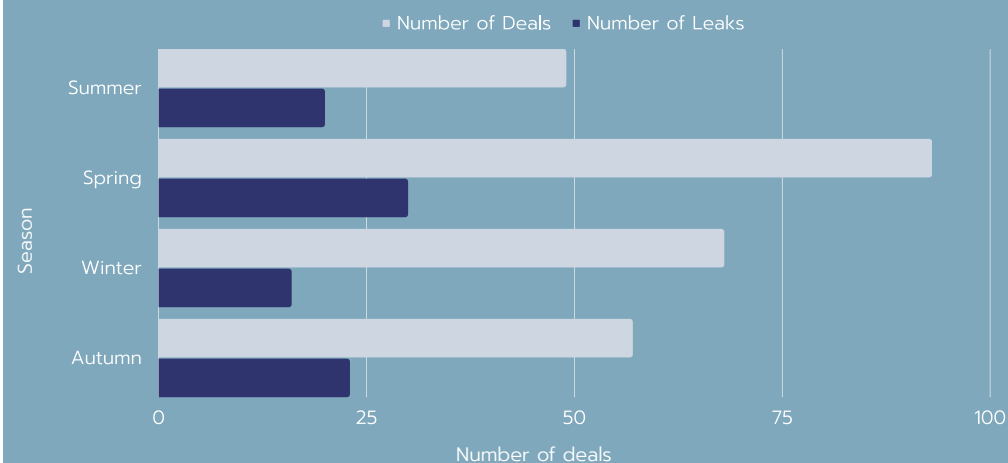
Leaks

89

Leak percentage

33%

Leak frequency according to the seasons



What can one do to minimize the risks and manage the fallout of a leak?



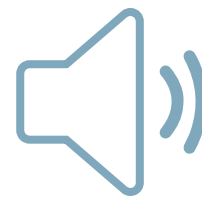
Prepare

Suddenly becoming the focus of national and even global attention can have a meaningful impact on even well-known brands. Considered, integrated, compelling omni-channel communications can take time to create. However, it is an awkward fact that the very nature of deal talks, or the regulatory compulsion to announce them upon the emergence of a leak, don't always allow corporate leaders to find that time. Nevertheless, while it may be difficult to plan for everything, 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.



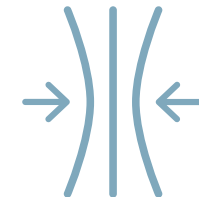
Engage Communicators Early

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, preparing for and managing leaks if they arise, and setting a framework in place to maximize any announcement.



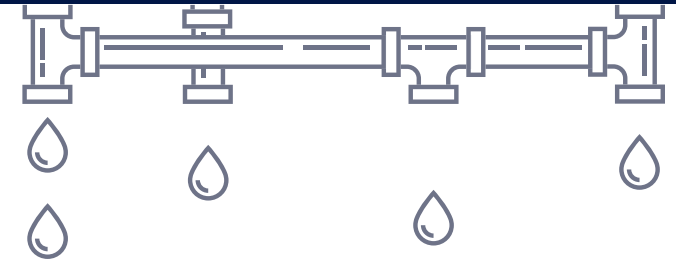
Set a Tone at the Top

Everyone knows that leaks are problematic. But they happen a lot. The most leak-proof deal processes start with a tone from 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.



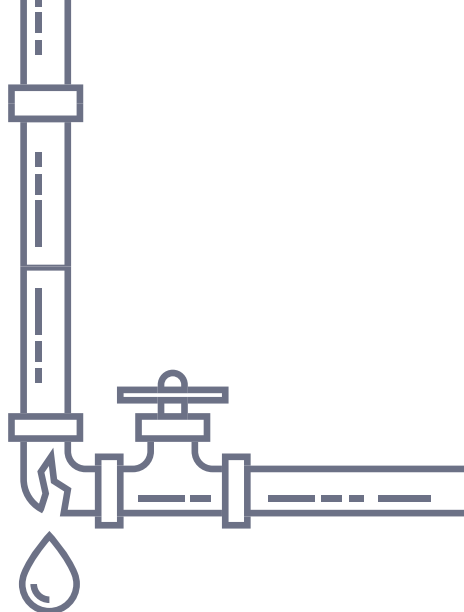
Who leaked?

One of the questions we are always asked as advisors is 'Who leaked?' The answer is in most cases you will never know.

Given that whoever did leak was at the very least betraying a confidence, and most likely breaching regulations or even breaking the law, they are hardly likely to 'own up'.

There are so many people working directly on any major transaction, or at least knowing about it, that there are far too many possible sources. And journalists do not betray their sources, for pragmatic reasons such as protecting a future flow of information, as much as altruistic ones. More important than wasting time on the fruitless and thankless task of trying to work out the source of any leak, is to focus on how you should respond if and when the leak occurs.

That said, it is possible to detect different types of leaks in the work we do. It is worth saying at the outset that leaks are almost always intentional, never accidental. That legendary "cache of papers" found on a train does happen, but only very very occasionally. So let's consider that someone has leaked for a reason.



Here are some of the more common cases:

The negotiation leak

One of the parties arranges a leak to stimulate an auction, by effectively signaling to other potential buyers that a sale process is underway, to secure a higher or lower price, or to force the other side to come to a decision.

The relationship leak

Someone leaks to a specific journalist in order to strengthen their relationship with them and thereby secure a favor later on.

The announcement leak

A deal is leaked to a chosen title shortly before the announcement to secure coverage in that title.

The malicious leak

One of the parties, or a competitor, leaks the deal in the hope that by putting it into the public domain, they will derail it.

The industry gossip leak

Most industries are virtual villages where protagonists gossip continually about their friends and rivals. News and gossip travel widely between businesses, and journalists are paid to mine these informal networks for information.

About H/Advisors

H/Advisors is a global organization of strategic communications advisors dedicated to building, enhancing and protecting our clients' reputations, always with an eye on helping them achieve their business objectives. Since it was founded in 2001, H/Advisors has consistently ranked as one of the world's top advisors in the global M&A rankings.

In 2022 alone, we advised on some 191 M&A transactions worth approximately \$141 billion. As senior executives and corporate boards confront unprecedented new demands and pressures, we deliver an exceptional global service, founded on the deep local knowledge of our strategic advisors in the world's major business centers, who provide every client with sophisticated and seamless counsel during the most critical moments. H/Advisors is the leading international network of strategic communications consultancies, providing best-in-class financial communications advice and counsel for corporations and institutions in the most important markets around the globe. We are unique among international networks because we are founded on the strength of a partnership between national and local agencies, that has produced meaningful results for its clients for 21 years.

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191

transactions
advised in 2022

\$141+bn

value of transactions
advised in 2022

One of the
world's top
advisors
in global
M&A
rankings
since 2001



Key definitions and methodology

Deal criteria

Period of analysis

Data set features transactions announced from January 2022 to December 2022.

Size considerations

Announcement value of \$2 billion or greater in enterprise value as recorded by Mergermarket in 2022.

Geographic considerations:

Data set includes transactions where at least one party (buyer or target) is based in one of the following markets; United States, Western Europe, APAC, EEMEA, Americas (Non-US).

Volume of deals: 267

"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.

For further information please contact:

APAC

Mark Worthington
Managing Director, H/Advisors Klareco
mworthington@klarecocomms.com

United States, Canada and Latin America

Dan Scorpio
Managing Director, Head of M&A and Activism, H/Advisors Abernathy
dan.scorpio@h-advisors.global

EMEA

Neil Bennett
Global Co Chief Executive, H/Advisors
neil.bennet@h-advisors.global

Global Marketing

Kate Keepax
Global Marketing Director
kate.keepax@h-advisors.global



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