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M&A Leaks:

Issues of Information Control

June 2008



Foreword

Welcome to this important new research study commissioned by IntraLinks from Cass Business School* – *M&A Leaks: Issues of Information Control*.

In the current M&A environment, getting your deal process right has never been more necessary. The run-up to the official announcement of a deal is a particularly sensitive period and, at IntraLinks, we wanted to establish whether or not deals are affected adversely by press leaks at this delicate stage of proceedings.

The Cass examination of more than 350,000 global M&A transactions between 1994 and 2007 casts light on the sensitivities inherent in deal activity and the potentially destabilising effect a press leak can have on the process.

The results of this exclusive study – thought to be the world's first research focused on pre-announcement market leaks in M&A – suggest that fewer than half (49%) of all leaked deals complete, compared with 72% of non-leaked transactions.

The findings also indicate that, while 97% of non-leaked deals are classified as 'friendly' (i.e. completed with Board endorsement), this figure drops to 80% when there are identifiable leaks.

Both the target and bidder suffer in the process: the premium paid by the winner in a leaked deal appears to be on average 13% lower than in non-leaked deals. This runs counter to the belief by some sellers that a premature announcement will attract more bidders and thus drive up pricing.

Further illustrating the impact a press leak might have, the study also indicates that while the average time taken for a non-leaked deal to complete stands at 62 days, this increases by 43 days (almost 70%) if the transaction is announced prematurely. This extends the average completion time to 105 days.

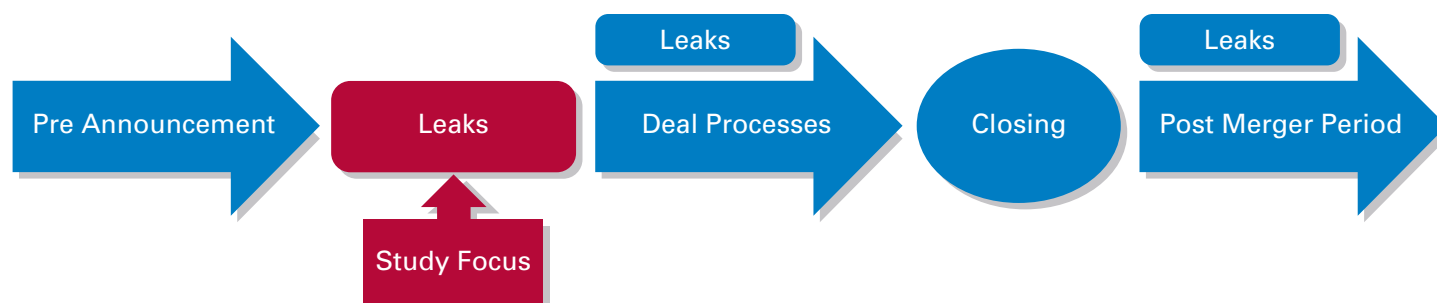
As the market leader in secure online document exchange, IntraLinks is committed to delivering a better way to control and monitor the exchange of confidential information involved in the entire deal lifecycle.

We look forward to continuing to work with all participants in the M&A marketplace over the coming year and helping to ensure the highest level of security and control.

* Cass Business School of London (officially the Sir John Cass Business School, City of London) is one of Europe's leading providers of business and management education, consultancy and research.

Methodology

The researchers' goal was to identify M&A deals since the early 1990's that had verifiable pre-deal announcement leaks, compared with the total number of attempted M&A transactions.



Preliminary criteria for the study were to use the date range 1994-2007, to examine disclosed and undisclosed M&A deals, and to exclude privatisations and leveraged buy-outs.

From the outset, it was expected that there would be no single source of leaked deals, and that creating a list would be a manual effort of searching deals in various databases. This proved to be the case.

The researchers used Factiva, Nexis and Onesource for finding and validating leaks; and Thomson OneBanker and Bloomberg for deal analysis. This required a manual search through approximately 8,500 results identified by the initial search criteria. This effort required judgment and review. **Because of this and the fact that the results are based on a relatively small number of deals that could be confirmed as actual leaks, the figures in this report should therefore be used as directionally accurate and not precise.**

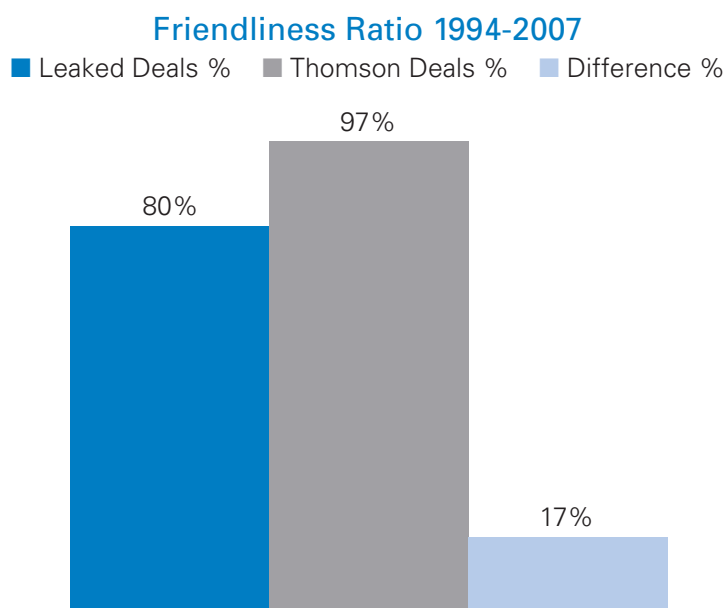
Criteria to identify deals were as follows:

- Database search: search for the terms 'merger', 'acquisition', 'M&A' linked to 'leak' and 'leaked'.
- News story review: the news stories from the various databases were then printed and reviewed for relevance (the leak of information might have nothing to do with the news about the deal, for example).
- Deal focus pre-deal announcement: deals were then identified where the leak caused a premature announcement of the deal.
- Publicly held: the acquirer and target were then analysed to determine if the companies were public (this was necessary in order to complete any financial analysis).
- Year of deal: the researchers worked backwards in identifying deals, with the most recent year of deal announcement being 2006 (which allowed at least one year of financial and market data post-announcement). We chose the start year of 1994 to coincide with the beginning of the last merger wave.

In addition to the analysis of secondary data, the researchers also conducted some twenty five interviews with market participants in North America, Europe and Asia who are active in the marketplace.

Friendliness Ratio

Are leaked deals less likely to be friendly?



Some 80% of leaked deals are friendly (i.e. completed with Board endorsement) compared with 97% of all non-leaked deals.

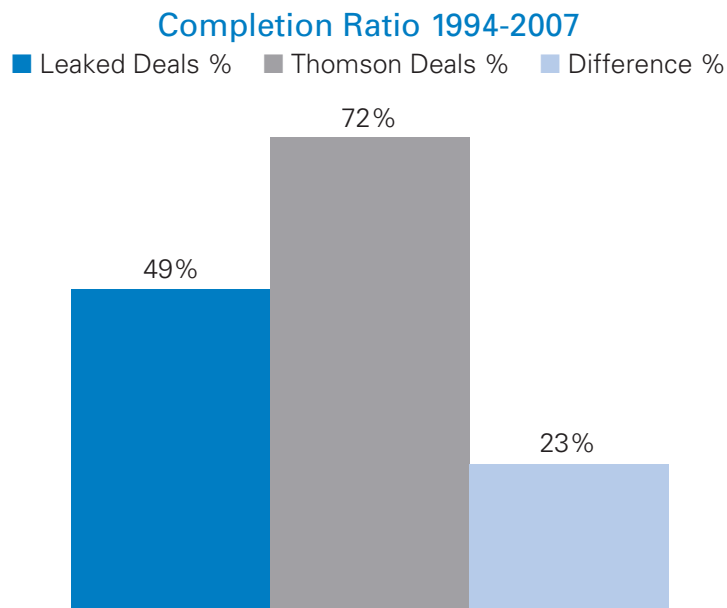
“Non-deliberate leaks never happen.” – Financial Services industry senior executive

- Date range: 1994-2007
- Deal type (include): Disclosed M&A; Undisclosed M&A
- Deal type (exclude): Privatisations; Leveraged Buy Outs

CRITERIA	Leaked Deals	Thomson Deals
Total Deals	59	351,749
Completed Deals	47	339,508
Friendliness Ratio (%)	80%	97%
Difference		17%

Completion Ratio

Are leaked deals less likely to complete?



Fewer than half of all leaked deals complete, compared with almost three-quarters of non-leaked deals.

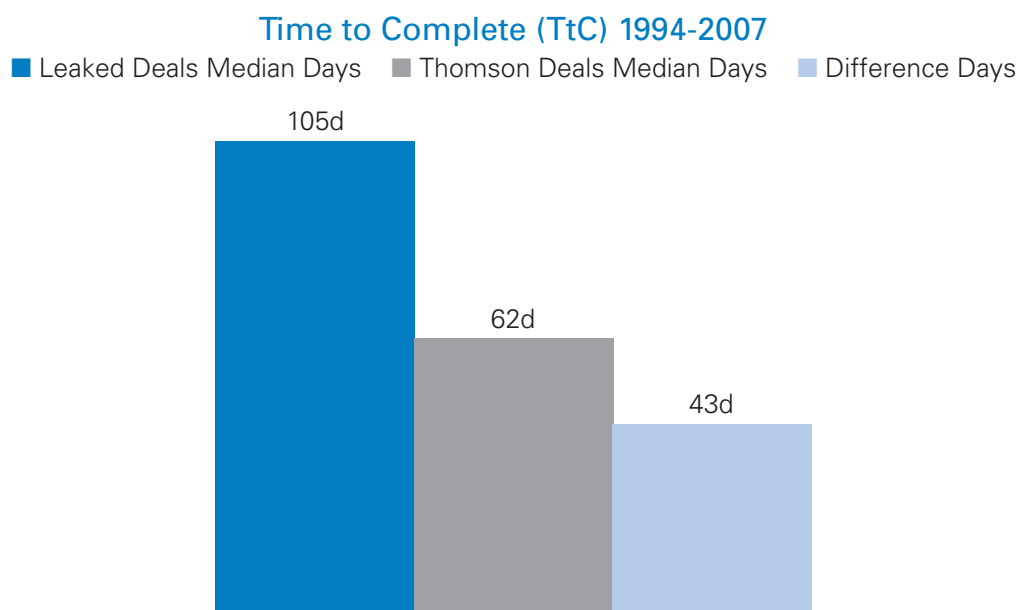
“A leak is done either to make the deal happen or to scupper the deal. Someone thinks they will personally benefit.” – Media industry board member

- Date range:1994-2007
- Deal type (include): Disclosed M&A; Undisclosed M&A
- Deal type (exclude): Privatisations; Leveraged Buy Outs

CRITERIA	Leaked Deals	Thomson Deals
Total Deals	59	351,750
Completed Deals	29	253,292
Completion Ratio (%)	49%	72%
Difference		23%

Time to Complete

Do leaked deals take longer to complete?



Leaked deals take 43 days (almost 70%) longer to complete than non-leaked deals (105 days on average vs. 62 days).

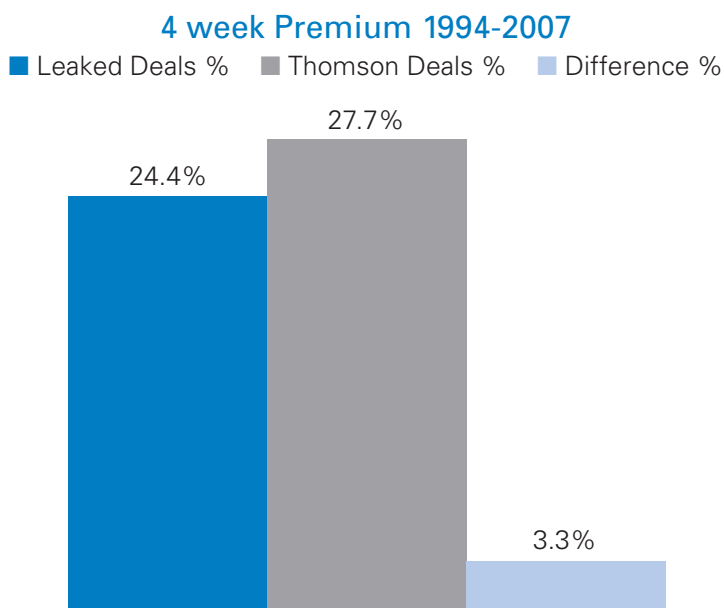
“If a leak does occur, it just makes everything more difficult. Statements may have to be put out, there are stakeholders to manage – so it is probably to be expected that the timeframe gets extended. But the scale of the difference is surprising.” – Investment Banker

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- Deal type (include): Disclosed M&A; Undisclosed M&A
- Deal type (exclude): Privatisations; Leveraged Buy Outs

CRITERIA	Leaked Deals	Thomson Deals
Count (Deals)	26	88,122
Mean (Days)	119	86
Median (Days)	105d	62d
Minimum (Days)	2	1
Maximum (Days)	345	437
TtC Difference (Days)		43d
TtC Difference (%)		69%

Premium Paid

Do leaked deals carry a premium?



The premium paid in leaked deals is approximately 13% lower than for non-leaked deals (24.4% vs 27.7% average premium).

"I could imagine a scenario where a leak is beneficial to the buy-side. For example a leak early on in the process giving a higher figure than the target was worth, could deter others from entering the process." – Investment Banker

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- Deal type (include): Disclosed M&A; Undisclosed M&A
- Deal type (exclude): Privatisations; Leveraged Buy Outs

CRITERIA	Leaked Deals	Thomson Deals
Count (Deals)	31	10,547
Median (%)	24.4%	27.7%
4 week Premium Difference		3.3%

Conclusion

At IntraLinks we are committed to making the M&A process more efficient, as ultimately our success is based on the success of our clients. The results of this study highlight the risks that parties are exposed to should a leak occurring during the initial phase of a deal.

While there are many regulatory agencies actively engaged in investigating insider trading, this was not the remit of this study, and although market leaks receive considerable press attention, the implications of premature disclosure are less widely appreciated.

It is important to note that whilst correlation does not necessarily imply cause, the results suggest that leaks could have a potential impact on timing, cost and friendliness of a transaction and ultimately the success of deals.

“Companies would be wise to heed the factors identified in this research so that they are fully aware of the historical impact of such leaks on deal activity,” concludes Professor Moeller, Cass Business School, the principal author of the study.

With all those involved in the M&A process having access to electronic communication channels, it is clearly more important than ever to control and monitor the flow of information about a deal before it has been announced. We believe that centralising information flow through a system with a complete audit trail engenders better behaviour and trust that confidentiality will be respected.

We aim to maintain our contribution to the efficiency and confidentiality of the M&A process and we hope to continue this engagement with all participants.

About the Authors

This report was produced by Professor Scott Moeller and Omiros D. Sarikas at Cass Business School, City of London, and sponsored by IntraLinks.

Scott Moeller

Scott Moeller, former senior executive at Deutsche Bank and Morgan Stanley in the US, Japan, Germany and the UK, is the CEO and Director of Executive Education and visiting Professor at Cass Business School. Scott teaches Mergers & Acquisitions at the business school and is the co-author of the recently published book *Intelligent Mergers: Navigating the Merger and Acquisitions Minefield*.

While at Deutsche Bank, he held roles as the Global Head of the corporate venture capital unit and Managing Director responsible for world-wide strategy and new business acquisitions.

Omiros D. Sarikas

Omiros, an LSE postgraduate and a Cass MBA student, has six years advisory experience. His consulting engagements include an American bulge-bracket investment bank, two of the largest TMT players in Europe, leading Asian CE firms and a premiere private equity fund.

About Cass Business School

Cass Business School, City University, delivers innovative, relevant and forward-looking education, training, consultancy and research. Located on the doorstep of one of the world's leading financial centres, Cass is perfectly positioned to be the intellectual hub of the City of London. Cass' dialogue with business shapes the structure and content of all programmes of study, executive education programmes and research. The MBA, Specialist Masters and Undergraduate Programmes have a reputation for excellence in professional education. Cass' Executive MBA is consistently ranked in the global top 20 by the *Financial Times*.

The school undertakes research of national and international significance and supports almost 100 PhD students. Cass has the largest Finance Faculty and the largest Actuarial Science & Insurance Faculty in Europe. Cass' finance research is ranked 2nd in Europe and 4th in the World outside the US by *Financial Management Magazine* and its insurance and risk research is ranked 2nd in the world by the *Journal of Risk and Insurance*.

About IntraLinks

IntraLinks was founded in response to the needs of financial institutions for a more efficient way to manage the flow of critical business information. Our On-Demand Workspaces™ have been widely adopted throughout the financial community to facilitate M&A deals, syndicated and commercial loans, as well as fundraising and fund reporting processes in the alternative investments community.

No other company has more experience in virtual datarooms. To date, we've managed projects for more than 700,000 users representing over 80,000 organisations worldwide. We've earned the confidence of global clients with the rock-solid reliability of our security and the quality of our technology. And we've won their long-term loyalty by continually demonstrating our unwavering commitment to their success.

Our secure, virtual datarooms are accessible from anywhere around the world, and offer you and your associates a more efficient way to exchange information during every phase of the M&A process. IntraLinks workspaces mirror the structure of physical datarooms – with a few significant improvements.

Multiple interested buyers can conduct due diligence simultaneously. No delays, no travel hassles. And because online access removes limitations on the location and number of potential buyers, you can add more buyers, or update your information, without slowing down your deal.

Technology is important, but you'll also find great value in our processes and our people. Our project managers are consultants, too. They know how your business works; they speak your language, and can help you get your workspace up and running – in days, not weeks. And if any questions should arise, our in-house customer care professionals are ready to provide friendly, knowledgeable support, 24/7/365.

From marketing to due diligence through closing and post merger integration, you get all the features, flexibility and full service you need to be confident that your business information is fully protected – and to stay on top of your deal.

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