INTRALINKS®

M&A Leaks

Issues of Information Control

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Foreword

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

In the M&A markets, getting your deal process right has never been more necessary. The run-up to the official announcement 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 destabilizing 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 (or 70%) if the transaction is announced prematurely. This extends the average completion time to 105 days.

As the leading provider of critical information exchange solutions, IntraLinks is committed to providing all deal participants an easier and more effective way to work together to speed up the due diligence process and finalize the transaction. We look forward to continuing to work with participants in the global M&A marketplace 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 1990s 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, to exclude privatisations and leveraged buy-outs, and to include only deals that had completed by 31 December of the year in question.

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. Further, this effort required judgment and review.

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 2007 as the most recent year of deal announcement (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 20 interviews with market participants in North America, Europe and Asia who are active in the marketplace.

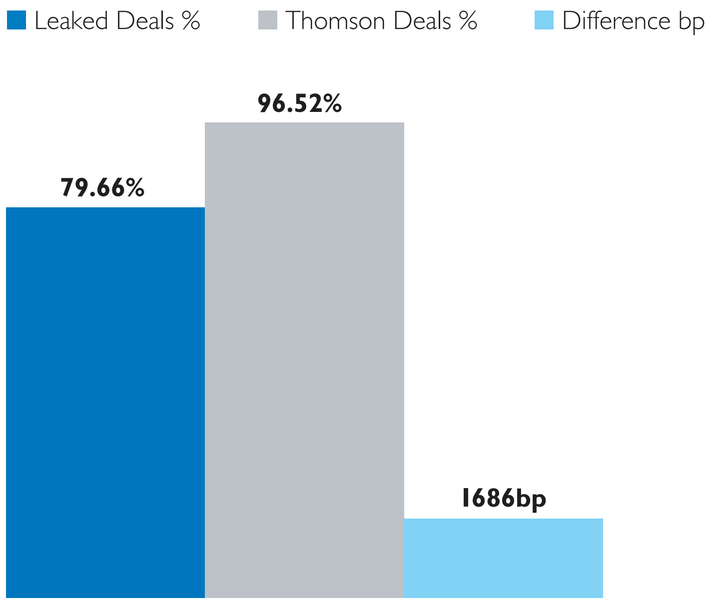
"A leak is done either to make the deal happen or to scupper the deal. Someone thinks they will personally benefit."

— Media Industry Board Member

Friendliness Ratio

Are leaked deals less likely to be friendly?

Friendliness Ratio 1994-2007



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

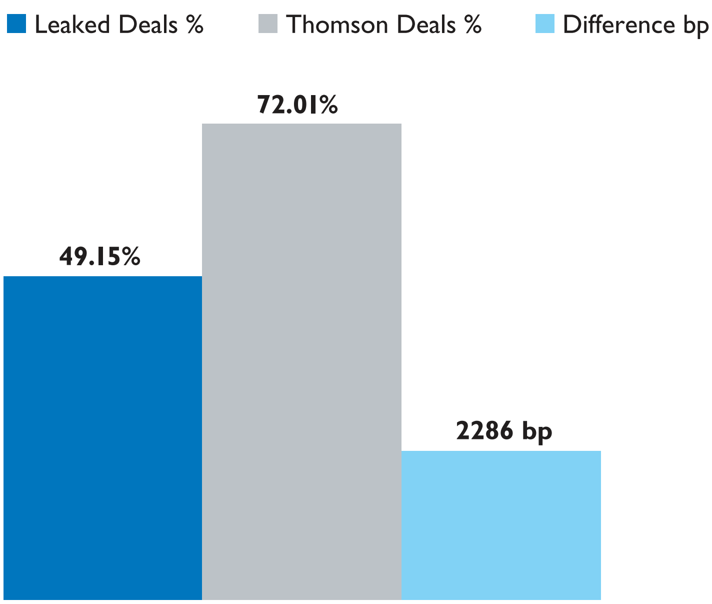
- **Date range:**1994-2007
- **Deal type (include):** Disclosed M&A; Undisclosed M&A
- **Deal type (exclude):** Privatisations; Leveraged Buy Outs

Criteria	Leaked Deals	Thomson Deals
Total Deals	59	351,749
Completed Deals	47	339,508
Friendliness Ratio (%)	**79.66 %**	**96.52 %**
Difference		1686 bp

Completion Ratio

Are leaked deals less likely to complete?

Completion Ratio 1994-2007



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

- **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	27	253,292
Friendliness Ratio (%)	**49.15 %**	**72.01 %**
Difference		2286 bp

"Non-deliberate leaks never happen."

— Financial Services Industry Senior Executive

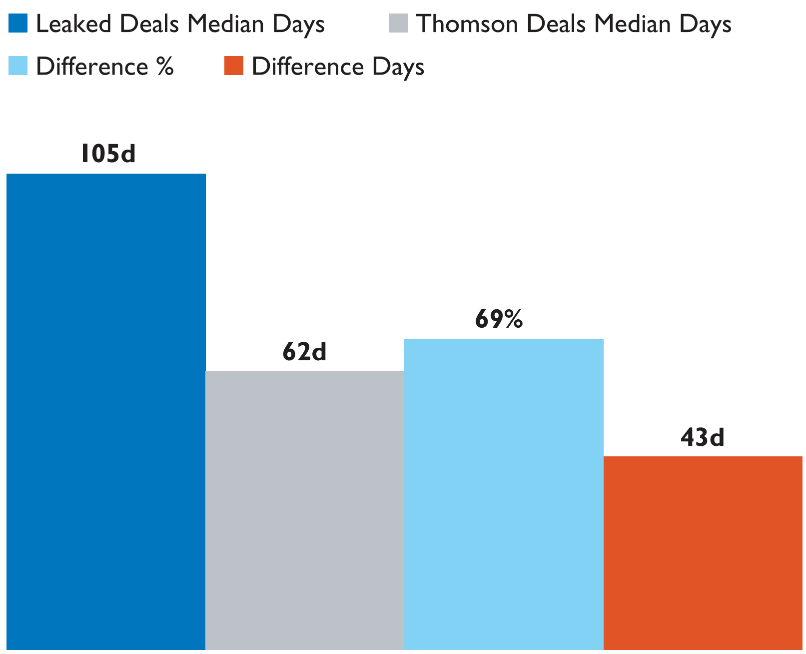
"If a leak does occur, it just makes everything more difficult. Statements may have to be put out, there are stakeholders to manage — so it is probably to be expected that the timeframe gets extended. But the scale of the difference is surprising."

— Investment Banker

Time to Complete

Do leaked deals take longer to complete?

Time to Complete (TtC) 1994-2007



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

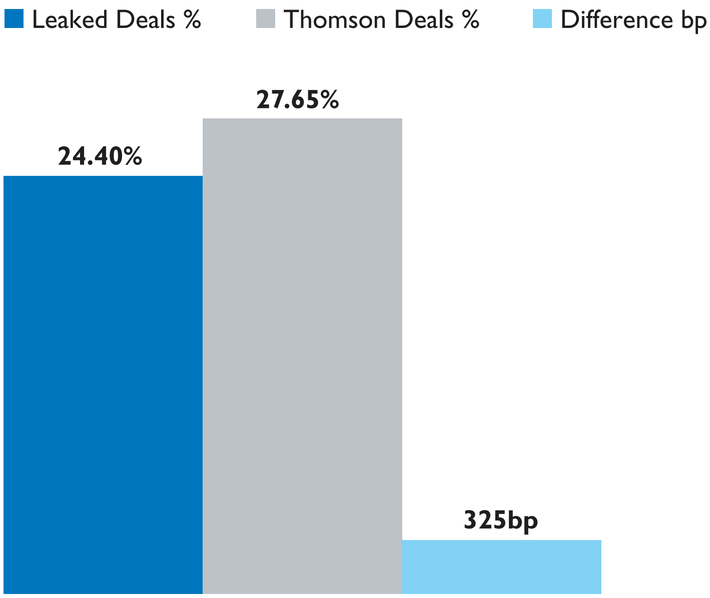
- **Date range:**1994–2007
- **Deal type (include):** Disclosed M&A; Undisclosed M&A
- **Deal type (exclude):** Privatisations; Leveraged Buy Outs

Criteria	Leaked Deals	Thomson Deals
Count (Deals)	26	88,122
Mean (Deals)	119	86
Median (Days)	105d	62d
Minimum (Days)	2	1
Maximum (Days)	345	437
Standard Deviation (Days)	92	80
TtC Difference (Days)		43d
TtC Difference (%)		69.35%

Premium Paid

Do leaked deals carry a premium?

4 week Premium 1994-2007



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

- **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
Count (Deals)	31	10,547
Mean (%)	25.18	36.40
Median (%)	**24.40%**	**27.65%**
Minimum (%)	-51.60	-99.97
Maximum (%)	83.33	2033.93
Standard Deviation (%)	30.10	76.19
4 Week Premium Difference		**325 bp**

"These findings show advantages mainly to the target — getting a higher premium, making the deal last longer so that a better defense can be constructed and so on. It must be the targets that are leaking deals to the press in most cases."

– Investment Banker

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 occur during the initial phase of a deal.

While there are many 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 while 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.

With all those involved in the M&A process having access to electronic communications 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 centralizing information flow through a system with a complete audit trail engenders better behavior and trust that confidentiality will be respected.

We aim to maintain our contribution to the efficiency and confidentiality of the M&A process and welcome the continued opportunity to be an active participant in the M&A markets.

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 U.S., Germany and the UK, is the CEO and director of executive education and visiting professor at Cass Business School. Moeller is the director of the international M&A Research Center at Cass.

While at Deutsche Bank, he held roles as the global head of the corporate venture capital unit and Managing Director responsible for worldwide strategy and new business acquisitions.

Omiros D. Sarikas

Omiros Sarikas is a Cass MBA student with six years advisory experience. His consulting engagements include a U.S. bulge-bracket investment bank, a premiere British private equity fund, two of the largest TMT players in Europe and the two leading Asian CE firms. He read technology at Brunel and received his Masters from the London School of Economics (LSE).

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. Our dialogue with business shapes the structure and content of all our programmes of study, our executive education programmes and our research. Our MBA, Specialist Masters and Undergraduate Programmes have a reputation for excellence in professional education. In 2009, the Financial Times ranked the full-time MBA ninth in the UK and 41st in the world and the Executive MBA is ranked thirteenth in the world.

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. Our finance research is ranked second in Europe and fourth in the world outside the U.S. by Financial Management Magazine and our insurance and risk research is ranked second in the world by the Journal of Risk and Insurance.

Cass is a place where students, academics, industry experts, business leaders and policy makers can enrich each other's thinking.

About IntraLinks

For more than a decade, IntraLinks' enterprise-wide solutions have been providing a secure, online environment where deal professionals can manage the entire lifecycle of a transaction. From deal team collaboration through the due diligence phase to deal closing, the IntraLinks platform can help improve operational efficiency and reduce time and costs while adding increased security and control to your deal process. More than 800,000 users across 90,000 organizations around the world rely on IntraLinks including, 50 of the 50 top global banks, 10 of the top 10 life sciences companies, 25 of the top 25 law firms, and 14 of the 15 largest private equity firms.

To learn how IntraLinks can transform your business by accelerating the deal management process, improving efficiency and ensuring the secure exchange of your documentation, visit **www.intralinks.com** or contact us at:

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