



Content

Methodology	4
Executive summary	5
The number of leaks has been falling	6
The risks from leaking have risen	7
Leaking is more common in EMEA than elsewhere	8
Why deals get leaked	9
Leaked deals are more likely to be good deals	11
How to prevent leaks	12
Q&A	13
About Cass	15
About Intralinks	15
About Remark	16

Methodology

In the days leading up to a bid announcement, significant trading in the stock of the target company can be indicative of information leakage about the deal. While not providing absolute confirmation of a leak in an individual case, significant pre-announcement trading (SPAT) across a large sample can be used to examine patterns and trends in leaking across time periods and geographies.

In the research study presented here, conducted by the M&A Research Centre at Cass Business School and commissioned by Intralinks, over 4,000 M&A transactions sourced from SDC Platinum between January 1st 2004 and October 16th 2012 were checked for SPAT activity using share and index price information from Thomson Reuters DataStream. In conjunction with this research, interviews with 30 M&A professionals were conducted by Mergermarket to get a clearer picture on the motivations and deterrents associated with leaking and to provide context to the figures.

Executive summary

The number of deal leaks has been falling

There has been a drop in leaked deals from a peak of 11 % during 2008-2009, to 7% during 2010-2012. In interviews, dealmakers suggested three main reasons for this fall: better tools for maintaining confidentiality, stricter regulatory enforcement, and a subdued dealmaking environment in which leaks aren't so likely to encourage rival bids and sellers are more cautious of complicating bid discussions.

The risks from leaking deals have risen

The study found that on average leaked deals took over a week longer to close than those that did not leak. In addition, in the last two years, leaked deals were 9% **less** likely to actually complete than deals that did not leak.

Leaking is much more common in EMEA, particularly the UK, than in the US, though the gap is shrinking fast

A geographical breakdown from 2004-2012 showed that leaks were far higher in EMEA (14%) compared to the US (7%). However, analysis shows that this gap is shrinking fast, with UK leaks shrinking from a high of 22% during 2004-2007 to 13% during 2010-2012. In the study interviews, there was widespread agreement amongst M&A practitioners that this was largely due to much stronger regulatory enforcement in the UK since 2008. However, as has been pointed out in an unpublished report by the UK market regulator, the Financial Conduct Authority (FCA), differences in takeover announcement regimes between countries make direct comparisons challenging.

Leaked deals that complete are more likely to be good deals for both seller and acquirer

Despite the risks involved, deals leak for a reason. The study found that leaked deals that complete result in significantly higher takeover premiums than non-leaked deals, with the average difference being 18 percentage points. For acquirers, leaked deals delivered higher long term returns than non-leaked deals, with the average difference being eight percentage points. The interviews suggested that the reasons for both are the higher quality of targets involved in leaked deals.

The number of leaks has been falling

Across the 2004-2012 time period SPAT was detected in 9% of bids globally. However, over recent years the number of detected incidences has fallen, from a peak of 11% in 2008-2009, to just 7% in 2010-2012 (see chart 1). This reduction suggests a drop in leaking activity. According to dealmakers, the key reasons for this are better tools for maintaining confidentiality, a stricter regulatory environment with more active enforcement and, perhaps most significantly, the subdued dealmaking environment and fewer buyers in the market which has encouraged firms to play it safe and not complicate a deal by leaking.

“Leaks are synonymous with M&A activity and how competitive the M&A environment is”

The study suggests that leaking was previously likely to encourage rival bids, with 9% of bids displaying SPAT attracting a rival bid in 2004-2007 compared to 7% for bids where no SPAT was detected. During this period there was therefore a clear incentive for leaking. However, since 2008 the figures suggest that leaking has little impact on the likelihood of attracting a rival bid, with deals displaying SPAT and not displaying SPAT both having a 5% probability of attracting a second bid (see

chart 2). This provides a clear reason why leaking activity may have decreased, with the subdued dealmaking environment meaning that the target is less likely to be able to stoke up a bidding war and will therefore focus on getting the initial deal done.

“Another key reason for a decrease in leaks is the increasing awareness and adoption of measures to safeguard the deal from leaking”

A Managing Director at a US investment bank explains, ‘The environment is such that already sellers are not able to get a compatible buyer and the main reason for leaking is absent. Leaking a deal in the current environment is not going to give any real benefits and instead will increase the complications and even lead to a deal being scrapped.’ A Partner at a US law firm adds, ‘In the current economic environment the M&A flow has decreased significantly and any deals that happen are hardly getting any competition, so leaks happen less frequently.’ A Partner from a German law firm agrees, ‘Leaks are synonymous with M&A activity and how competitive the M&A environment is.’

The same Partner also attributes the decline in leaking to the availability of improved tools for maintaining security, ‘Another key reason for a decrease in leaks is the increasing awareness and adoption of measures to safeguard the deal from leaking. Restricting and monitoring the core channels through which the

Chart 1: Percentage of Bids Displaying SPAT

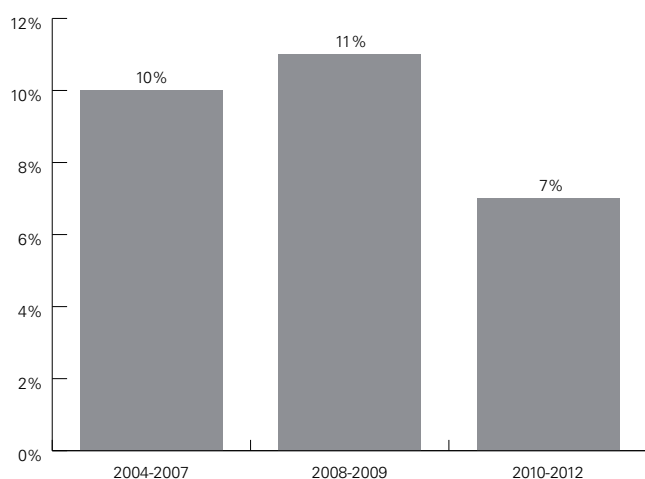
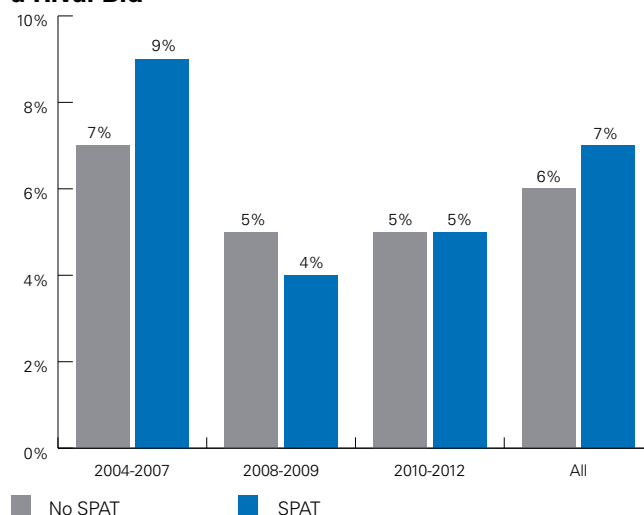


Chart 2: Percentage of Acquisitions that Attract a Rival Bid



information can leak and then taking all the necessary measures to prevent accidents is now happening, and has resulted in fewer leaks.' A Managing Director at a US investment bank agrees, 'Now there are tools available for preventing the accidental leakage of information which everyone is using.'

A Partner from a Swedish law firm also highlights the changes in the regulatory environment, 'The recent crackdown on deals that were leaked following a successful investigation might have created some fear among those who could leak a deal. This crackdown also exposed the possible loopholes that were exploited and now these loopholes do not exist so leaking a deal is not very easy.' This is supported by a Partner at a French law firm, 'There are now strong rules with high fines and penalties from all market authorities so people pay more attention.'

The risks from leaking have risen

The study finds that leaked deals take longer to complete, with an average of 124 days between announcement and completion for deals displaying significant pre-announcement trading compared to 116 days for deals where no SPAT is detected (see chart 3). Leaked deals require both buyers and sellers to manage stakeholders, issue statements and address key deal issues such as financing, approvals and any political questions prematurely. This is likely to result in deals that are more complex and costly to execute, which acts as a clear deterrent to leaking, as typified by the experience of a Partner

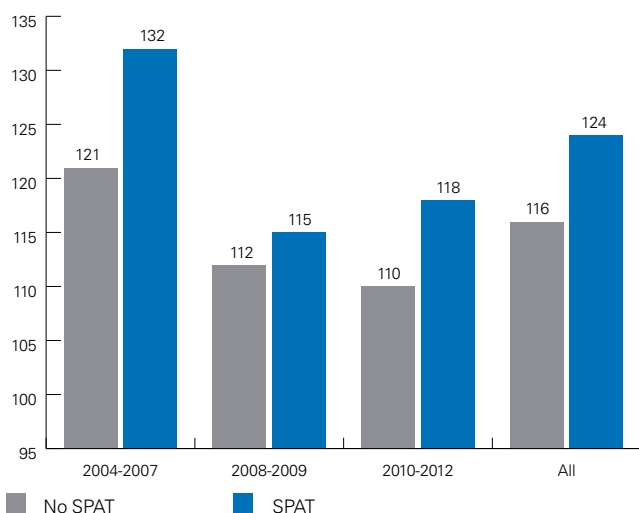
from a German law firm, 'In a recent M&A deal where we were the principal legal advisors there was an accidental leak and unfortunately very confidential information was leaked. No one was ready to take responsibility and there has been a significant delay and the fate of the deal is still hanging.'

Nine out of ten respondents think that leaking a deal can backfire

Over the sample period as a whole there is little evidence of an impact on the likelihood of completion for deals displaying SPAT versus no SPAT, perhaps partly due to the hypothesis that deals that are leaked are likely to involve attractive targets with a highly motivated buyer. However, there is evidence that this has changed recently, with some negative impact over the 2010-2012 period, with those transactions demonstrating SPAT completing only 80% of the time, compared to a figure of 88% when no SPAT is detected (see chart 4). Therefore, while there was previously limited risk for a seller from leaking, this has now changed, with leaking now more counterproductive than previously. This provides an additional explanation for why the number of leaks has been falling in the most recent period.

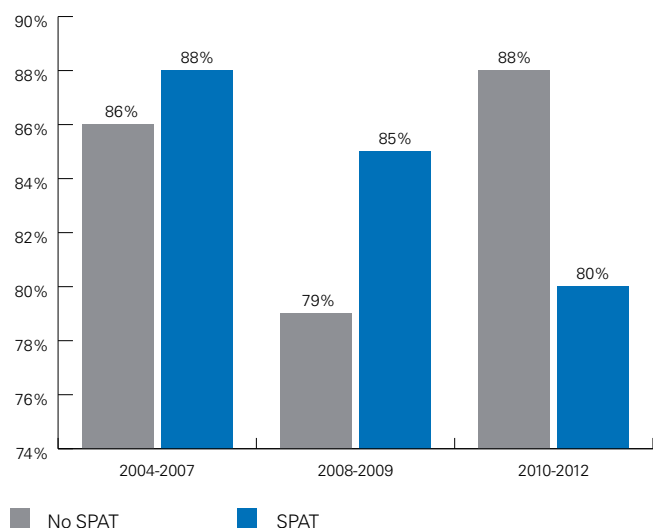
"Leaking a deal creates a huge outcry in the market and if it ends up attracting the attention of regulators it is likely to put pressure on the deal"

Chart 3: Average Number of Days to Completion



Most announced deals are friendly (97%, according to research by the M&A Research Centre) and generally these friendly bids are announced with great fanfare and with deal completion plans (and even integration plans) well established in advance. However, if a deal needs to be prematurely announced because of a leak, these plans may not yet be fully developed and the pre-approvals of key stakeholders and regulators may not have been completed. These considerations have gained importance in the past several years, along with an increased focus on governance issues. The higher number of days to completion for deals displaying SPAT combined with increased market volatility is also likely to be a factor in this reduced likelihood of completion, with any delay increasing the possibility of exposure to a big swing in market conditions that could change the attractiveness or feasibility of a particular deal. A Partner from a German law firm elaborates, 'When a deal is leaked it naturally does not go down well with bidders and they then look to change their strategy and analyse the impact of the leak which increases the time of the deal. If the leak

Chart 4: Percentage of Deals Completed



has seriously damaged the prospects for the deal then bidders will end up walking out.' A Partner from a UK investment bank adds, 'Leaking a deal creates a huge outcry in the market and if it ends up attracting the attention of regulators it is likely to put pressure on the deal.'

A Managing Director from a German investment bank highlights how changes in the market have altered the attitudes of participants in a deal, 'Leaking a deal does not provide the benefits that it used to and all intentional leaks are now done to prevent a deal from happening.' A Partner from a French law firm also highlights the high level of risk associated with leaking, 'It is a proven fact that leaking often results in failed deals and it is not easy to get the expected benefit. Leaking a deal is a big chance that can certainly go wrong and has very little scope of providing the benefit to the party who leaked the deal.'

"When leaks happened in the UK the parties who leaked the deal easily got away with it and this motivated others to leak for gains"

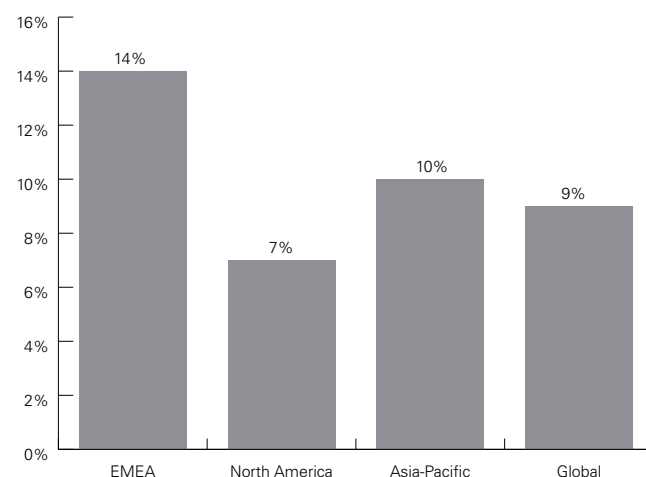
However, a Managing Director at a German investment bank believes that participants are likely to be sufficiently sophisticated to take this risk fully into account and that the leaking is usually part of a deliberate strategy, 'Leaking a deal does not happen without any preparation. All the parties involved leak a deal only after completely anticipating

the consequences and thus leak a deal at the right time and place that completely removes the possibility of affecting the probability of completion. The technique of leaking a deal is now as developed as the governance system is.'

Leaking is more common in EMEA than elsewhere

A geographical breakdown over the full sample period shows that the number of bids displaying significant pre-announcement trading was far higher in the EMEA region (14%), than in both North America (7%) and the Asia-Pacific region (10%) (see chart 5). A Managing Director at a US investment bank explains this contrast, 'Every region has their own acceptance level and some are very sensitive and some are not.'

Chart 5: Percentage of Bids Displaying SPAT Across Regions (2004-2012)



The high proportion of SPAT in the EMEA region can be partly attributed to the very high number of incidences in the UK, and when the UK is stripped out the amount of SPAT in the EMEA region is more in line with the global average (although still ahead of North America) (see chart 6). However, as has been pointed out in an unpublished report by the UK market regulator, the Financial Conduct Authority (FCA), differences in takeover announcement regimes between countries make direct comparisons challenging. M&A practitioners in the survey generally attribute the very high figures for the UK in comparison

Chart 6: Percentage of Bids Displaying SPAT Across Regions (2004-2012)

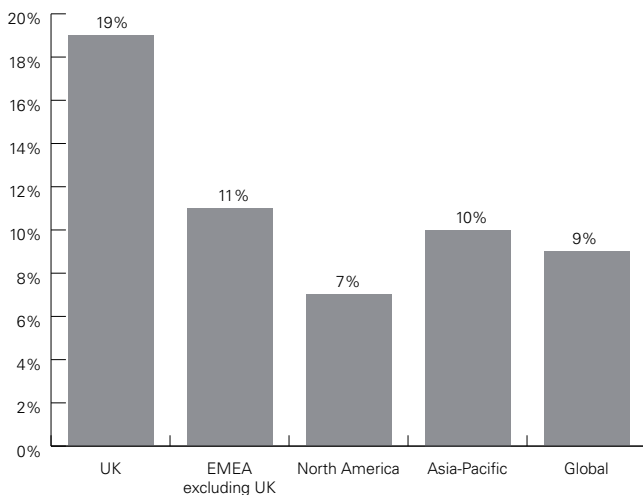
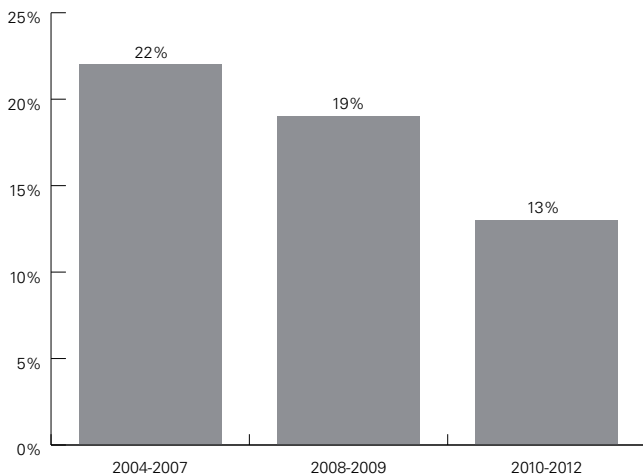


Chart 7: Percentage of UK Bids Displaying SPAT



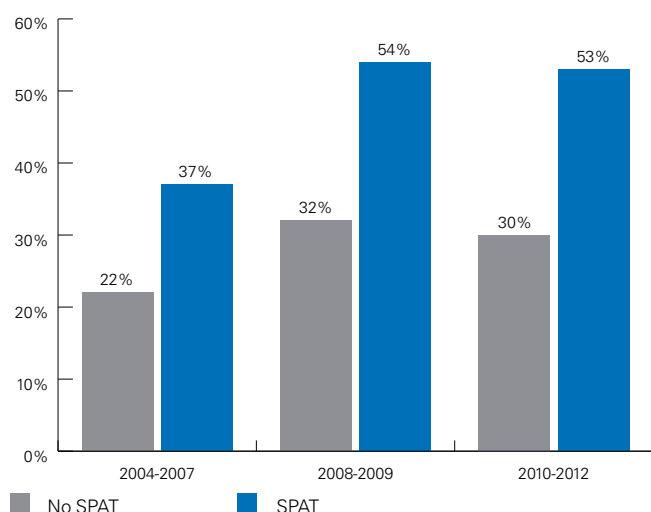
to the US to the UK's historical lack of enforcement of existing regulations. However, as noted elsewhere in this report, the increased regulatory enforcement in the UK in recent years appears to have reduced the gap between the two markets significantly. An Executive Director at an Italian investment bank explains, 'When leaks happened in the UK the parties who leaked the deal easily got away with it and this motivated others to leak for gains. It was the lack of proper monitoring systems and mismanaged regulations that resulted in a large disparity in the number of leaks seen in the UK and the US.'

In 2002 the US Government dedicated additional funding to the activities of the Securities and Exchange Commission (SEC) and since 2003 the number of SEC enforcements related to insider trading and market manipulation has been at a consistent level, at around 50 and 35 cases per year respectively. In contrast there has been a notable pick up in the number of such investigations launched by the UK's Financial Services Authority (FSA) in recent years and since 2007 the FSA has been more vocal about publicising its own enforcement efforts related to M&A leaks. In its September 2010 MarketWatch newsletter the FSA stated that 'Strategic leaks, designed to be advantageous to a party to a transaction, are particularly damaging to market confidence and do not serve shareholders' or investors' wider interests. It is therefore in all interests to ensure that senior management of all organisations who handle inside information establish (and are seen to establish) a much stricter culture that firmly and actively discourages leaks.' As part of this crackdown, in 2010 the UK Takeover Panel introduced new requirements to name bidders early on in the process, which should ensure higher secrecy, and this tougher approach has coincided with a big drop in the number of deals displaying SPAT in the UK, from 22% in 2004-2007 to 13% in 2010-2012, suggesting success in changing attitudes towards leaking in this market (see chart 7). This is reflected in a comment from a Partner at a German law firm when discussing the contrasting amounts of significant pre-announcement trading in the US and the UK, 'I don't know whether there is a difference now. I know the regulations in the UK were made stricter because of some high profile leaks that had a significant impact on the market and questioned the credibility of the government and its responsibility in preventing such leaks. The US has always been very serious when addressing deal leaks and thus historically there are fewer leaks in US.' A Partner from a UK investment bank agrees, 'Earlier everyone just accepted deal leaks in the UK, but not now. The government has come down hard on deals that were leaked and I believe there will now not be a large disparity in the number of leaks seen in the UK and US. It's not only the government, as companies in the UK have also become more responsible and therefore the probability of a leak has reduced.'

Why deals get leaked

A key finding of the current study is that transactions associated with SPAT result in a higher takeover premium (see chart 8). This replicates results of findings from studies undertaken in the past, with the additional premium commonly attributed to the fact that once a deal is made public the target is 'in play' and may attract rival bids which push the original bidder to increase their offer. The reasoning behind this is that the first

Chart 8: Bid Premium Over Target Undisturbed Share Price



bid helps to establish a floor takeover price and premium, and the 'investigation cost' associated with the first bid is reduced for the second bidder. If the initial bid is leaked prematurely, the second potential bidder gains valuable information and time. Additionally, if a friendly bid is leaked, it may pre-empt the 'fait accompli' of a joint bid statement and allow a second bidder to enter with a good chance of success. This would suggest that most of the incentive for leaking lies with the seller, who could hope to gain by leaking to encourage the buyer to pay more. However, our survey points to a wide variety of reasons for deliberate leaking by the companies involved with the Managing Director at a French investment bank suggesting that, 'Like any other M&A factor the reasons for leaking a deal are not uniform and every party involved has their own objective for leaking a deal.'

Leaks from the seller are seen primarily as a way to improve the target's bargaining power as explained by a Partner at a Swiss law firm, 'They are trying to increase the price by attracting other interested parties who might also wish to bid'.

"Like any other M&A factor the reasons for leaking a deal are not uniform and every party involved has their own objective for leaking a deal"

This is supported by a comment from a Managing Director at a German investment bank, 'The prospective sellers can succeed

in making the final deal more desirable by obtaining better terms and conditions and a higher price. This motivates them to leak a deal particularly when they are likely to receive bids from competitors.'

In contrast, leaks from a buyer are seen as a tool to scupper a deal which has not progressed as originally hoped, with a Partner from an Italian law firm explaining, 'Sometimes buyers use leaks to extend the completion time when they do not want the deal to happen. This frustrates the sellers and they then look for alternative bidders and the buyer therefore gets out of the deal without having to pay the price of breaking the deal agreement as it is the sellers who have ended the deal.' This was also reflected in a comment from a Managing Director at a US investment bank, 'A bidder leaks a deal when they are not interested in the deal anymore and wants a plain excuse of information leakage as the reason for getting out of the deal' as well as a Partner from an Italian law firm, 'Sometimes a bidder goes for a deal without any initial preparation and during the process they find issues that make them unwilling to complete so to exit without any legal or regulatory hurdles they leak the deal carefully and purposely to delay the deal so that the sellers themselves choose to end negotiations.'

Half of those surveyed think that a leak can help a deal get done

Third party activity is also seen as a source of leaks designed to sabotage a deal as explained by a Partner at a French law firm, 'It has become vital for companies to keep a tab on everything a competitor is doing, even to the level of disrupting strategic operations like M&A deals. In one such instance that shook my confidence in business morals, a competitor of a major FMCG company spent millions in spoiling an acquisition bid just to ensure that they did not enter a particular product category. It was done by accessing the deal information by unethical means and then leaking it which caused the deal to fail.'

Eight out of ten respondents think that leaks are sometimes caused by accidents

Although the general sentiment is that leaked deals generally become more complicated and a leak puts the deal at risk, some M&A practitioners also feel that leaks can be used to help drive a deal through when one side is delaying. 'If you are on the buy side and the seller doesn't move ahead then you can put

pressure on the seller by leaking the information to the market and the same goes on the sell side - if talks do not proceed you could leak the deal to force the buyer to declare whether they are interested,' suggests a Managing Director of M&A at an Italian investment bank. This view is also held by a Partner from a UK law firm, 'If the deal is in the final stages and the parties have pretty much agreed on the principal terms, and then the deal is leaked, there will be pressure to expedite the process from both the parties, which might help the deal get done sooner.'

"Leaks happen accidentally too - we are still not in a world where there is complete security with no chance of leaks"

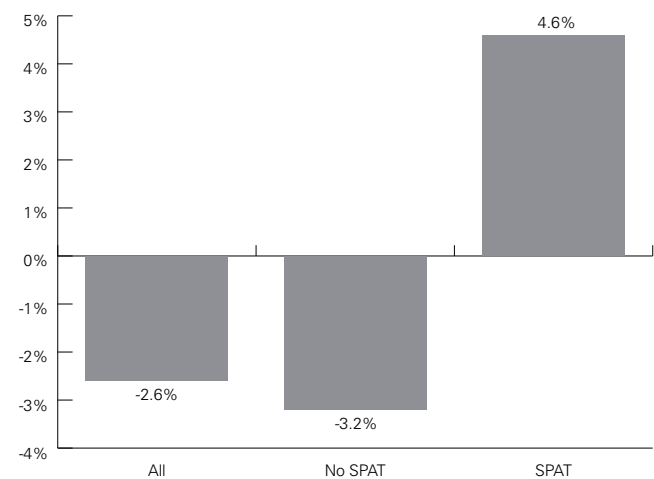
Despite the development of systems that allow access to M&A information to be heavily restricted and monitored, accidents are still seen as a potential source of leaks. A Partner from a French law firm elaborates, 'Certainly, leaks happen accidentally too - we are still not in a world where there is complete security with no chance of leaks. It is human nature to make accidents and the possibility is even higher when there are too many people involved.' This view is supported by a Partner from an Italian law firm, 'When the bidder involves many consultants, financial advisors, law firms or auditors there are several dozens of people involved who are aware of the situation and therefore the risk of accidental leaks grows in a very significant way.'

'People talking too much in public places and an email accidentally sent to the wrong person are examples of how leaks can happen accidentally' adds a Managing Director of M&A at an Italian investment bank. That said, occasionally the necessary steps to prevent leaks are not taken, according to a Partner at a US law firm, 'These accidental leaks can be easily prevented by using secure ways of passing information. Carelessness is not something we usually see and accidental leaks will only happen when there are no proper monitoring systems in place.'

Leaked deals are more likely to be good deals

A notable finding shows that transactions that demonstrate SPAT deliver higher long term returns for acquirers than deals where no significant pre-announcement trading is detected (see chart 9). This is somewhat counterintuitive given the higher premium

Chart 9: Acquirer Returns After 24 Months vs. MSCI Total Return Index



associated with SPAT deals and suggests that deals involving a target that is a good 'fit' or particularly attractive may be more likely to be leaked.

This makes intuitive sense as a target that is in high demand and likely to attract bids from a range of parties has more incentive to leak information than a low quality target with limited takeover interest. This finding is corroborated by comments from M&A practitioners. 'Leaks are more likely to happen when there is significant competition for a target, particularly when the selling party is well aware of other bidders that are financially more sound and aggressive. It is right to say that when quality is high and can warrant a high premium, leaks are more likely' suggests a Managing Director at a US investment bank.

A Partner at a US law firm agrees, 'A high quality target anyways warrants a high premium and it is companies which do not get the required value for their assets that sometimes indulge in leaking to attract more attention from rival buyers.' This view is also held by an Executive Director at an Italian investment bank, 'When the target is of high quality the possibility of leaks increases - it's an opportunity for a final push by the sellers to get a premium value when they are aware that there is a line of other bidders interested in them.' As well as a higher premium a leak can also help sweeten the terms of the transaction according to a Partner at a Swedish law firm, 'When the target is of high quality and likely to warrant a high premium, they are likely to leak the deal as they can attract more bidders, and that will give them more bargaining power and authority to dictate terms and make the buyers accept their conditions, such as closing a deal as an all cash transaction.'

“When the target is of high quality the possibility of leaks increases - it’s an opportunity for a final push by the sellers to get a premium value”

How to prevent leaks

The recent reduction in the number of bids displaying SPAT in the UK demonstrates that more active enforcement of regulations is key to reducing leak activity, and that legislation alone is always likely to lead to potential opportunities for market abuse. This is widely reflected in comments from M&A practitioners when discussing the best way for regulators to address leaks. ‘The likelihood of leaks depends significantly on the regulatory regime - any regime which is not hard on deals that are leaked will see the trend continue to happen so it is vital to make the regulations very strict and not allow for deals to be leaked without holding investigations and bringing the people responsible to trial,’ suggests a Partner from a UK investment bank. A Partner at a US law firm agrees, ‘Point number one is having a proper set of rules and point number two, which is even more important, is enforcing the set of rules because if you set the rules without enforcing them it doesn’t have any impact.’ A Partner from an Italian law firm also holds this view, ‘The rules regarding confidentiality of information are similar in most countries but the enforcement of the rules will be the key that significantly affects the likelihood of leaks.’

Six out of ten survey respondents think that there are cultural or regional differences in attitudes towards leaking

On the company side there are also a number of steps that can be taken to prevent leaks, according to the M&A practitioners questioned. A Managing Director at a US investment bank highlights some of these measures, ‘The best way that a bidder can mitigate risks around leaks would be proper drafting of non-disclosure agreements and imposing strict office security where deal information is kept.’ A Managing Director at a US investment bank elaborates, ‘If a bidder is worried about accidental leaks due to carelessness, unsecured communication channels, etc., then they can use highly secure tools that ensure the information is not leaked and has restricted access through complete monitoring. When the bidder has concerns about intentional leakage by either

the advisors or stakeholders then they can put in the necessary terms in the agreement to ensure that leakage is addressed’.

A Partner at a US law firm points to the importance of keeping deal information constrained to a limited number of people, ‘Speaking as a lawyer you can of course have contractual arrangements that would hold you harmless or close to harmless but in reality the best way to keep leaks down is to involve as few people as possible.’ However, a Managing Director at a French investment bank highlights a question mark over how sufficient these measures will be against a determined leaker, ‘Sadly a buyer does not have any strong channels to mitigate the risks other than just binding the parties under confidentiality agreements. However, there is always a question of how effective these agreements are when the buyer feels compelled to make the deal.’

“The rules regarding confidentiality of information are similar in most countries but the enforcement of the rules will be the key that significantly affects the likelihood of leaks”

Q&A



Philip Whitchelo, Vice President
of Product Marketing, Intralinks



Scott Moeller, Director of the M&A
Research Centre, Cass Business School

A key reason for leaks on the sell side seems to be the chance of gaining a higher premium through attracting a rival bid. What role do rival bids play in explaining the higher premium that we see for leaked deals?

SM: If a bid process has been run correctly and the advisors do their homework, then a target would usually be aware of most potential bidders. However, there is always a chance that a potential bidder might have slipped through the net. A leak is therefore an opportunity to shake out the bidders from the trees.

If a leak comes from a high quality target and they feel that there is another bidder out there that would offer up higher synergies than the first suitor, the target may be frustrated and therefore motivated to leak. An example of this, although not involving a leak, is the takeover of Cadbury by Kraft. Cadbury was an attractive target but could see that the synergies with Kraft were fairly low because of Kraft's lack of focus on confectionery. Cadbury was eager to push another firm such as Hershey, Nestlé or Ferrero to bid, because these firms were already focused on chocolate and the synergies would be higher and the potential premium for the acquisition could therefore also be higher.

One factor that came out strongly in the survey is the prominent role of leaking to scupper a deal, by either the bidder or a third party rival. How does this tie into the research?

SM: My feeling is that when a seller leaks a deal, it will usually have been officially sanctioned and is designed to extract a higher price. However, for a buyer there will rarely be a good reason for an officially sanctioned leak as the deal is not public and the bidder could therefore walk away from the deal with only limited consequences. Leaks from buyers are therefore more likely to be unsanctioned and come from some disaffected party within the firm. For example, if a firm has a division that is not the market leader in its sector, but the company is planning the acquisition of a firm that is stronger in that space, the employees in the

acquiring firm's unit will feel that they will be the weaker partner if the acquisition goes ahead. Important roles in areas such as management and research are likely to be taken by the acquired company so existing employees will have a motivation to leak in an attempt to scupper the deal.

For rival firms there could also be a motivation to leak and if a company is put up for sale, it is likely to be offered to a range of different buyers who would therefore find out that the company is being shopped around. If a company wasn't interested in doing a deal but was worried about a rival building a stronger position, they could choose to leak that the firm is up for sale in an attempt to stop an acquisition going ahead. The conventional wisdom is that leaking has a dramatic impact on the likelihood of completion. However, our research shows that, while there is an impact, it may not be as significant as the market actually thinks, with the majority of leaked deals still completing.

To what extent do you think leaks can impact on an advisor's reputation?

PW: While it is clear that improved security can do little to prevent a deliberate leak from someone with permitted access to the information, in the vast majority of cases neither the buyer nor target wants the deal to leak, with both parties usually benefiting from keeping a takeover secret until they are fully ready to announce it to the market. When there is an unintentional leak, nobody is in control of the situation and it usually leaves everyone scrambling around in an effort to mitigate the negative impact.

While the study points to some benefits from leaking as a tactic on the buy or sell side, there are also many negative implications with which an advisor certainly does not want to be associated. Advisors simply don't want to be viewed as a firm that struggles to maintain confidentiality. Even if it is done deliberately, it can make a firm look incompetent and unable to manage the deal process. On top of this, regulators are clearly becoming much

tougher on leaks and no advisor wants to incur the wrath of a regulator that has wide powers and can apply sanctions.

Clients certainly don't want to hire advisors that look like they are actively engaged in leaking and there is evidence that security is taking a greater prominence when selecting advisors. As an example, Nomura has lost market share in Japan following an insider trading scandal, which saw traders tipped about clients' corporate finance plans.

The study found that leaks have an adverse impact on the time to completion, and also on the percentage of deals completed. What is the best way to react to a leak to mitigate this impact?

SM: Once a deal leaks, in many countries there are legal disclosure requirements in place so the company's hands are tied in some respects as they have to announce what is actually happening. Therefore, the best reaction to ensure the leak does not impact on the deal is to speed up the process to preclude someone else from jumping in to make a competing offer. This is what we usually see with a flurry of activity taking place once a deal is leaked in an effort to complete the deal as quickly as possible. However, this is challenging as both firms will be working to their own timetable and a leak can introduce other factors that have to be addressed and make it hard to stick to the original schedule.

How do you think improved tools and systems for conducting deals have contributed to a drop in leaks in recent years?

PW: Secure systems, such as virtual data rooms, allow for the controlled flow of information, with only certain people given access to documents. These systems prevent copying and email forwarding and therefore make it much easier to control who sees what. They also reduce the number of people involved in a deal, an issue commonly highlighted by survey respondents. For example, you no longer need to involve third parties or secretaries when copying or distributing information.

In contrast, a physical data room, which is sometimes even located in the headquarters of the target, can set off all sorts of rumours and push aggrieved parties, who feel that they may lose out in any restructuring, to disclose details to the market. Other benefits of a virtual data room include preventing someone from walking off or copying a document, or filing it back in the wrong place, either deliberately or accidentally. Use of a virtual data room also significantly reduces the time

required to complete a transaction, by an average of 4-5 weeks, and therefore also reduces the available window for leaking. A physical data room means that all interested parties need to access the information sequentially, which can add a significant amount of time to the process when there are many bidders involved. With a virtual data room all potential bidders can access the necessary information in parallel so the M&A process can be conducted very efficiently and the actual time allotted to each bidder can in fact be reduced.

For emerging markets, online secure systems have proven to be even more important. The leaders of international corporations are well known so if these individuals are seen flying into a frontier market it is often assumed that the company is considering an acquisition and rumours about the potential target may emerge. A virtual data room means that all phases of the deal cycle can be done online and therefore eliminates this risk.

As well as improved security, the other principal justification for a drop in leaks over recent years is the subdued M&A environment and tougher regulations and sanctions. Which of these three factors do you see as most significant?

SM: In the major markets of Western Europe, Japan and the US, I think that all three factors are likely to have played a role in cutting the number of leaks. Enforcement efforts have certainly been more rigorous as a result of the wider impact of the financial crisis on attitudes towards financial regulation. The survey highlighted that it is particularly important that enforcement efforts are well publicised and offenders made an example of when they are found to have traded on insider information.

The study demonstrates that the subdued M&A market makes leaking less beneficial as it means that a company is less likely to attract a rival bid. It also has implications in terms of enforcement as fewer deals mean that there are fewer places to hide, and any leaked deal is likely to receive a lot of attention. It is analogous to a single car speeding on a quiet road, which is more likely to get pulled over than a car on a busy road where everyone is speeding.

Meanwhile, in emerging markets I think the increased use of secure tools for conducting transactions has played a particularly important role. Many of these markets do not have a history of enforcement and for some jurisdictions insider trading isn't even illegal, so the introduction of systems such as secure virtual data rooms is likely to have been an important factor in cutting the number of leaks in these regions.

About Cass

Cass Business School, which is part of City University London, delivers innovative, relevant and forward-looking education, training, consultancy and research. Located in the heart of one of the world's leading financial centres, Cass is the business school for the City of London.

Our MBA, specialist Masters and undergraduate degrees have a global reputation for excellence, and the School supports nearly 100 PhD students.

Cass offers the widest portfolio of specialist Masters programmes in Europe. It also has the largest faculties of Finance and Actuarial Science and Insurance in the region. It is ranked in the top 10 UK business schools for business, management and finance research and 90% of the research output is internationally significant. Cass is a place where students, academics, industry experts, business leaders and policy makers can enrich each other's thinking.

For further information visit: www.cass.city.ac.uk.

About Intralinks

In 1997 Intralinks (NYSE: IL) pioneered the use of software-as-a-service solutions for business collaboration and transformed the way companies work, initially for the debt capital markets and M&A communities. Today Intralinks empowers global companies to share content and collaborate with business partners without losing control over information. Through the Intralinks platform, companies and third parties can share and collaborate on even the most sensitive documents - while maintaining compliance with policies that mitigate corporate and regulatory risk.

Intralinks DealspaceSM, the market-leading deal management and virtual data room solution, supports all parties involved throughout the M&A lifecycle: from deal preparation through to marketing, due diligence, closing and post-merger integration. Intralinks Dealspace enables financial advisors, legal advisors and corporate development officers to securely collaborate and share confidential information while maintaining complete control over content.

Global - Intralinks Dealspace enables you to connect with the largest network of M&A dealmakers on the most widely used platform with over 2 million users.

Mobile - the Intralinks Secure Mobile app for iPad® and iPhone® enables deal participants to work on the move and keep deals on track. Upload and permission documents, send alerts, add users and view graphical reports on document access.

Fast - Intralinks Dealspace helps you close deals faster, with a global private internet, native file support with no plugins and Q&A dashboards. Users can open protected Microsoft Office® files in their native formats - essential for viewing spreadsheet contents accurately, including tabs and cell formulae.

Visit www.morethanavdr.com

About Remark

Remark, the publishing, market research and events division of The Mergermarket Group, offers a range of services that give clients the opportunity to enhance their brand profile, and to develop new business opportunities. Remark publishes over 50 thought leadership reports and holds over 70 events across the globe each year which enable its clients to demonstrate their expertise and underline their credentials in a given market, sector or product.

Remark is part of The Mergermarket Group, a division of the Financial Times Group.

To find out more, please visit [**www.mergermarketgroup.com/events-publications/**](http://www.mergermarketgroup.com/events-publications/)



NOTES:

[illegible]

NOTES:

[illegible]

Intralinks Contacts

**New York –
Corporate Headquarters**
150 East 42nd Street
8th Floor
New York, NY 10017
Tel: 212 543 7700
Fax: 212 543 7978
Email: info@intralinks.com

London
44 Featherstone Street
London, EC1Y 8RN
United Kingdom
Tel: +44 (0) 20 7549 5200
Fax: +44 (0) 20 7549 5201
Email: emea@intralinks.com

Singapore
Level 14, Prudential Tower
30 Cecil Street
Singapore 049712
Tel: +65 6232 2040
Email: asiapacific@intralinks.com

São Paulo
Rua Tenerife, 31, Bloco A, cj. 121
Vila Olímpia São Paulo,
CEP 04548-040, Brasil
Tel: +55 11 4949 7700
Email: amLat@intralinks.com