



M&A COMMUNICATIONS MONITOR 2010 - 2013

The role of communications in the merger and acquisition processes in Spain and Portugal

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Executive summary

The management of financial communication, which plays a key role in the reputation of companies and their business success, becomes particularly important in mergers and acquisitions. Therefore, when a large company is considering launching a public takeover bid (PTB), taking part in a merger or selling off a significant stake, it normally puts together a 'working team' composed of financial, legal and, of course, communications advisors. The latter are responsible for designing and implementing a road map that reflects the company's strategy and conveys the right messages to the stakeholders in the market.


Information about a corporate transaction may decisively affect the price, the interest of potential buyers and, ultimately, its success. While the transaction lasts, the relationship and dialogue with the media is crucial for the companies involved. As a result, it is vital to understand the law (in the case of listed companies) and good market practices in this type of situation.

So, just as it is necessary for a company to define a strategy for the transaction, it is also essential to define a communications plan in tune with this strategy. The correct management of communication will contribute to achieving the transaction's objectives.

The aim of this study, produced every four years by LLORENTE & CUENCA, is to analyse the operations carried out in the Iberian market between 2010 and 2013. The communications strategy used in different operations is analysed, to arrive at a series of conclusions that help companies involved in similar operations to develop the most suitable communications and reputation management plan.

In order to better analyse the information, the study has been structured into three areas. Firstly, all of the transactions in the Iberian market between 2010 and 2013 are quantitatively analysed. In this way, we begin by assessing a series of aspects of these operations such as, for example, the sector to which the participating companies belong, the type of transaction and the transfer price.

>> Information about a corporate transaction may decisively affect the price, the interest of potential buyers and, ultimately, its success



Secondly, ten of the most important transactions that took place during the defined period are selected and qualitatively examined. These transactions have been chosen as a result of: a) their size, giving priority to higher volume transactions; and b) the different nature of each transaction, analysing a wide range of transaction types. For each transaction we have examined the key communication elements such as, for example, the tone of the coverage, the main topics addressed, the critical points and the presence in the media of the different stakeholders (buyer, seller, target company, other interest groups, etc.).

If we compare it to the M&A Communications Monitor 2007-2010, the current report covers a larger area as we have included the Portuguese market in the quantitative analysis. The broad approach used allows us to detect a gradual increase in the activity taking place. From 2010 to 2013 the number of transactions in which at least one of the parties (buyer, target company or seller) was a Spanish or Portuguese company almost doubled.

Finally, the study evaluates the responses to a survey sent to an audience of experts and professionals in the mergers and acquisitions sector. The participants include professionals in law firms that specialise in corporate transactions, investment banks, consulting companies and venture capital firms.

The new methodology used in this edition allows us to assess firsthand what the public experts, knowledgeable about the transactions, think about the communications strategies followed in them. Their views are especially useful when it comes to drawing conclusions that can serve as a guide for drawing up suitable communication plans for a transaction.

All quantitative data used in this report have been provided by TTR - Transactional Track Record.

TTR is a premium online service for investors, executive and advisers. It includes the largest database of transactions in the Spanish-Portuguese market, as well as access to the financial details of the companies involved.

Information analysed

This study analyses all the operations in the Iberian market that took place between 1 January 2010 and 31 December 2013, taking into account those transactions in which at least one of the parties (buyer, target company or seller) was a Spanish or Portuguese company during that period. So, the total number of quantitatively analysed transactions is 4,092

The first table shows a breakdown of the ten operations analysed qualitatively. In total they exceed €19,682 million and each of them has a value of more than €100 million. Six of the ten transactions involve companies in the service and distribution sector, two involve industrial companies, one involves an energy company and one involves a company in the technology and telecommunications sector.

Table 1: The ten transactions selected

TARGET COMPANY	SELLER	BUYER	YEAR	AMOUNT*
Atento	Telefónica	Bain Capital	2012	1,051
Luton Airport	Abertis	AENA	2013	518
Inversis Banco	Cajamar, El Corte Inglés, Telefónica, Private Shareholders, Indra, Banco Sabadell, Bankia (merger of Caja Madrid and Bancaja)	Banca March	2013	194.13
Hispasat	National Institute for Aerospace Technology (INTA)	Abertis Telecom	2013	172.50
Vueling	Private Shareholders	IAG	2013	123.54
Bankia (merger of Caja Madrid and Bancaja), BFA	-	Fund for Orderly Bank Restructuring (FROB)	2012	4,456
Banco Pastor	-	Banco Popular	2012	1,362
Cepsa	Private Shareholders, Total	IPIC	2011	3,966
Bank Zachodni	Private Shareholders, AIB Group	Banco Santander	2011	4,139
British Airways, Iberia	MERGER		2011	3,700

* Amounts in millions of euros

>> The mergers and acquisitions registered in the Iberian market between 2010 and 2013 involved 4,092 transactions

MEDIA ANALYSED

To assess the media coverage of the transactions analysed, we have consulted the information and opinion pieces published in four Spanish media organisations: the generalist newspaper El País, the financial newspapers Expansión and Cinco Días, and the digital financial information newspaper El Confidencial.

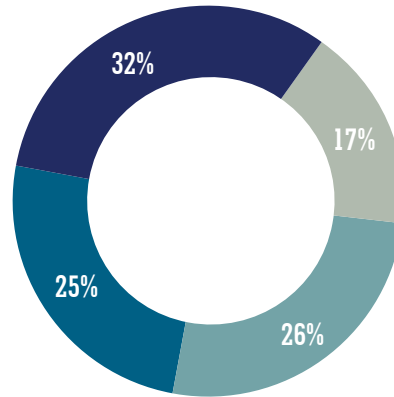
The bulk of the coverage is focussed on the dates close to the announcement of each transaction, and includes the coverage before and after that event in order to ensure that we pick up the rumours and potential conclusions made at the close of the transaction in the sample analysed.

For this analysis we have counted both the informative and opinion articles in which the operation was the main focus, as well as those in which it has a secondary presence. Articles mentioning the businesses involved without referring to the transaction have not been taken into account.

PUBLIC SURVEYED

With regard to the public surveyed, we have worked with a range of professionals involved in the different aspects of the M&A advisory process in the Iberian market. In total, the sample is composed of around 100 respondents, including professionals from law firms specialising in corporate transactions, investment banks, consultancy companies and venture capital firms. The sample was collected between 11 and 19 March 2014 through a written survey sent via email.

Table 2: Distribution of transactions by year



- 2010
- 2011
- 2012
- 2013



Quantitative analysis

Between 2010 and 2013 both Spain and Portugal faced severe economic problems. The resulting sale of public enterprises to reduce the deficit in Portugal, restructuring and consolidation of the banking sector in Spain and the severe downturn in the housing market in both countries, as well as a reduction of available credit, have led to a complex business outlook with seemingly fewer opportunities for M&A activity.

The number of transactions in the Iberian market has been lower during these years than in previous eras. However, these difficulties have also led to business opportunities. Both the entry of international firms with a higher tolerance to risk and the internationalisation plans of the different national companies, as well as the privatisation of public companies, have opened up new windows of opportunity. These changes, together with the consolidation of the financial sector, have been decisive factors in driving the market.

ANNUAL EVOLUTION

Since its lowest point seen in 2010, with just 694 transactions, the Iberian market has shown an upward trend. In 2011 the total number of transactions reached 1,045. This figure remained relatively unchanged in 2012, when 1,035 transactions were recorded.

Returning to its previous upward trend, in 2013 there was an increase of 27% compared to the previous year, with 1,318 transactions. This percentage, added to the initial improvement, means that these four years ended with a cumulative increase of 90%. These are levels which, although in absolute terms still low compared to the period before the economic problems, mean that we can stop talking about a declining market. The start of 2014 seems to have confirmed this trend, with rumours about announcements of various flotations and with the recent purchase of Ono by Vodafone, the largest direct investment by a foreign group in Spain since 2009.

>> The number of M&A transactions in 2013 was practically double those registered in 2010

CHARACTERISTICS OF THE TARGET COMPANY

For the purposes of this study, we will consider the Iberian market as Spain and Portugal, treating those transactions that have taken place between both countries as domestic, while treating those involving any foreign party as international.

Of the total of 4,092 transactions taking place during the period analysed, 1,557 of these fall within the cross border category, compared with 2,535 transactions that we consider as domestic. This proportion would seem to indicate increased activity in the local market. However, analysing the detail of the transactions only involving Spanish or Portuguese companies, we can see that this activity is very common at the bottom end of the market, but much more scarce for higher volume transactions. So, around 95% are for less than €100 million, or have non-identified prices, and of these the majority involve the transfer of real estate assets at low prices and the entry of creditors into the capital of businesses in financial difficulties. This gives us an insight into the problems that the Iberian market has faced, focusing much of its activity on managing the complicated financial situation of companies.

Meanwhile, the transactions involving with a foreign company, although they are less common, are of greater importance financially. So, we detected 299 operations within the high and mid market for a total value of €230,676 million. This is almost four times the total amount for the 127 transactions of this type recorded in the domestic environment, which together amount to €57,868 million. So we can see the key role that international capital has played in the market's gradual recovery.

In terms of the types of merger, looking at the type of transaction, a significant majority (93%) involve the purchase of a holding in the target company's capital. This percentage can in turn be split between acquisitions involving the purchaser taking control (65% of total) and the purchase of minority interests (35%). This, added to the fact that 76% of these transactions have the Iberian market as a target, suggests the awakening of international interest in Spanish and Portuguese assets. However, during the period analysed this greater interest has also been caused by the attractiveness of the low prices.

Table 3: Take-off in 2013

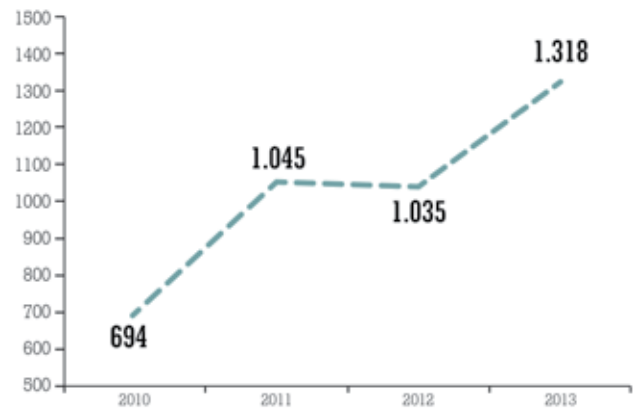


Table 4: Market structure by volume

MARKET	VOLUME
High	More than €500m
Mid	Between €100m and €500m
Low	Up to €100m

Table 5: Majority of purchases of holdings

OPERATION TYPE	NUMBER
Takeover	2,485
Minority interest	1,362
Merger	118
Public takeover bid (PTB)	17
Venture capital	7
Other	103



Table 6: Distribution by sector

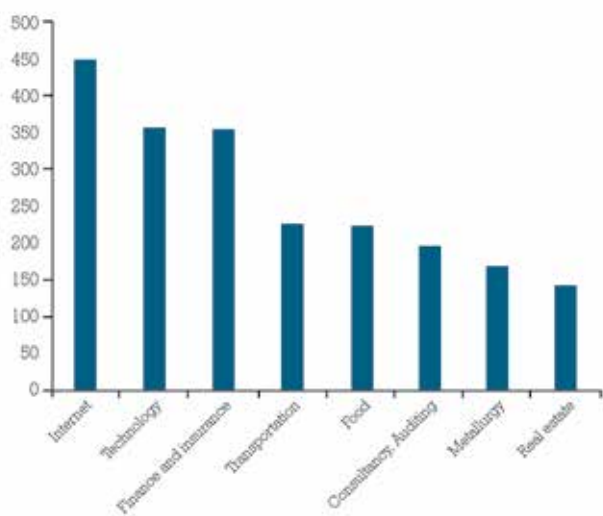
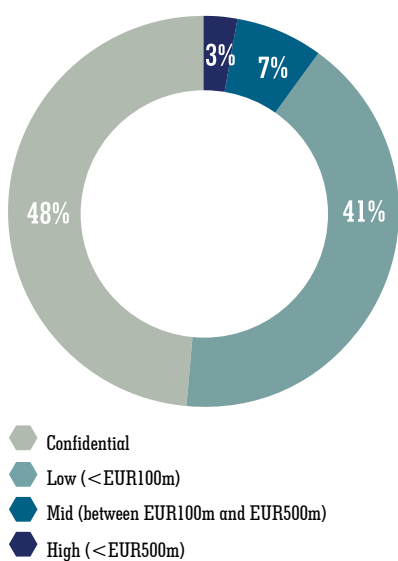


Table 7: Value of the operations



SECTORS

Given the huge range of transactions, the number of sectors involved is also likely to be large, and in fact we see 64 registered industries. However, the top eight sectors together account for around half of all transactions (49%) considered, and we can see a clear picture of which areas have been the most active in the M&A market (see table 6) during this period.

Internet and technology head the list of the most active specialist sectors, accounting for 20% of all operations. However, in terms of value, its weight is considerably lower (€9,214 million) compared to others, such as the financial and insurance sectors. So, the majority of these transactions fall within the low market segment and represent minor investments when assessed quantitatively. One example of this is the 139 transactions in which Wayra, Telefónica's start-up accelerator, has been involved as a buyer. None of these have exceeded an investment of one million euros.

Meanwhile, many of the operations in the financial and insurance sectors are in the mid and high market segments, accounting for a value of close to €80,000 million. This importance is linked to the consolidation of the Spanish financial sector and the subsequent divestiture of the industrial portfolios of the banks that were originally savings banks.

VOLUME

Among the data available from these four years, it is worth noting that the price of 1,984 of the transactions, equivalent to 48% of the total, was confidential (see Table 7).

In terms of the remaining 2,108 transactions whose volume has been published, what stands out is the transactions that form the lowest part of the market and that account for 41% of the total (1,682). That leaves the mid and high end market segments that account for 11% of the total (426). Although based on this percentage it may seem that the high and mid market segments have little significance, in reality it is the transactions in these segments that have been the major focus of attention and interest for the markets and the media.

Due to the impact of the decisions taken and the interest generated around the companies involved in transactions in the high and mid market segments, it is these transactions that have the greatest communication needs. It is also in this niche where it is most important to study how communication has accompanied the strategy for the transaction, in order to assess the results and draw relevant conclusions to be used in future experiences. As a result, the selection of operations for the qualitative analysis included in this study has focused on corporate operations belonging only to the high and mid market segments.

Qualitative analysis

Whilst it is true that the transactions in the high and mid market segments are those that attract the most media attention, within these segments we cannot detect a direct correlation between the greater size of a transaction and the interest shown by the media.

Issues such as the reputation of the firms involved or the questions that may be raised by each transaction turn out to be more significant when it comes to generating the volume of coverage. It should be noted at this point that in some cases only articles related to specific transactions have been analysed, as is the case for Bankia's nationalisation, given the large volume of news stories generated around the company during the time covered by this study.


The average volume of news articles generated by the transactions selected in this edition (2010-2013) has significantly increased compared to those in the previous edition (2007-2010), increasing from an average of 76 news items per transaction in the previous edition to 179 in this one. This increase is primarily due to the impact of the coverage of the three largest operations analysed (nationalisation of Bankia, merger between Iberia and British Airways and the sell-off of Atento by Telefónica), which accounted for nearly 50% of all news items included. These are also the only operations to exceed 100 articles. The widespread popularity of the companies involved in these three operations, together with the fact that all of them were preceded by a long history and many rumours about their execution, made them especially susceptible to being of great interest to the public.

In terms of the impact generated by the media included in the study, it can be seen, as was the case in the previous edition, that the traditional financial newspapers (Cinco Días and Expansión), have contributed the most articles. El País, due to its generalist nature, pays less attention to the transactions in quantitative terms, but has a higher degree of qualitative influence. The case is similar for El Confidencial, which has established itself as a leading newspaper in financial circles, as it provides more opinion pieces than its competitors and in many cases acts as a thermometer on the status of the negotiations.

Table 8: Details of the selected operations

OPERATION	AMOUNT*	NEWS ITEMS SELECTED
Bankia - Government of Spain	4,456	123
Zachodni - Santander	4,139	44
CEPSA - IPIC	3,966	77
Iberia - British Airways	3,700	613
Banco Pastor - Banco Popular	1,362	82
Atento - Bain Capital	1,051	619
Luton Airport - AENA	518	31
Inversis - Andbank	179.8	61
Hispasat - Abertis	172.5	89
Vueling - IAG	123.54	50

* Amounts in millions of euros



>> Over 90% of the negative impacts correspond to just three operations: the merger between British Airways and Iberia, the purchase of Atento by Bain Capital and the nationalisation of Bankia

TONE OF THE NEWS ARTICLES

As a general rule, the tone of the news articles analysed is neutral. So, 51% of all articles analysed simply describe the facts and do not come out in favour of the transaction or against it.

With regard to the remaining coverage, there is a balance in the proportion of articles, with 23% in the positive category and 26% in the negative category. It is interesting to analyse this last piece of data in more detail.

Looking at the breakdown by transaction, one can see some of the reasons why there was such a high proportion of negative articles. So we can see that over 90% (356 mentions of the 381 classified as critical) correspond to just three operations: the merger between British Airways and Iberia, the purchase of Atento by Bain Capital and the nationalisation of Bankia. In terms of these operations, two of them have two elements in common: the purchase of a holding by a foreign group and a long history of comings and goings in the market. This is the case for the sale of Atento by Telefónica, where the previous failed attempts to float the company on the stock market and the social and employment effects played a key role. This is also a factor in the creation of IAG as the result of the merger “among equals” of Iberia and British Airways (a debate still taking place in the national media) which took almost four years to complete and involved certain stakeholders playing an openly active role.

In many cases, it seems that efforts are more focussed on avoiding any negative impacts from the transaction than on generating positive news stories that support it. In cases such as the nationalisation of Bankia, where one can unequivocally identify fervent criticism of the company’s management and the damage it was causing to the economy and the country’s reputation, it can be complicated to avoid such a scenario.

TYPE OF ARTICLE

Although in recent years there have been important steps taken to improve the market analysis in the media, newspapers seem to continue prioritising information rather than publishing analytical or speculative articles.

One example of this is the coverage of all of the selected transactions, where 83% of the articles are merely informative. Additionally, it is worth noting that among the remaining 17%, accounted for by the more analytical text, the role of the El Confidencial stands out. The very nature of this digital newspaper, whose success is based largely on the comments from its writers and bloggers, means that it is more likely to include opinions in its articles. Meanwhile, the traditional financial newspapers, such as Cinco Días and Expansión, focus their coverage on a more informational angle.

Despite them being responsible for a lower percentage of the total coverage of each transaction, it is essential to keep the opinion makers as the focus of the communications strategy for a transaction. Although they may seem unimportant quantitatively, a single article has the power to introduce a new element into the debate with the potential to challenge the operation and the rationale for it. We can see an example of this from the process of selling Inversis, where the doubts raised in a report published in El País Negocios about the benefits of the entity being acquired by an Andorran firm introduced a concern that had not been raised in the market previously.

Table 9: Tone of the articles

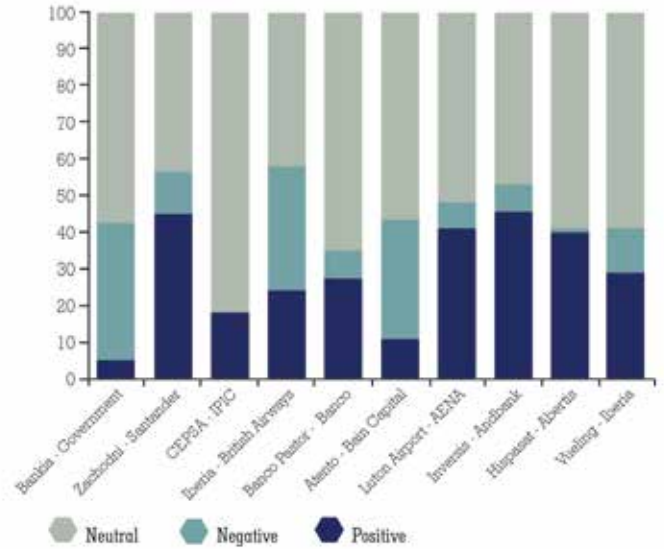
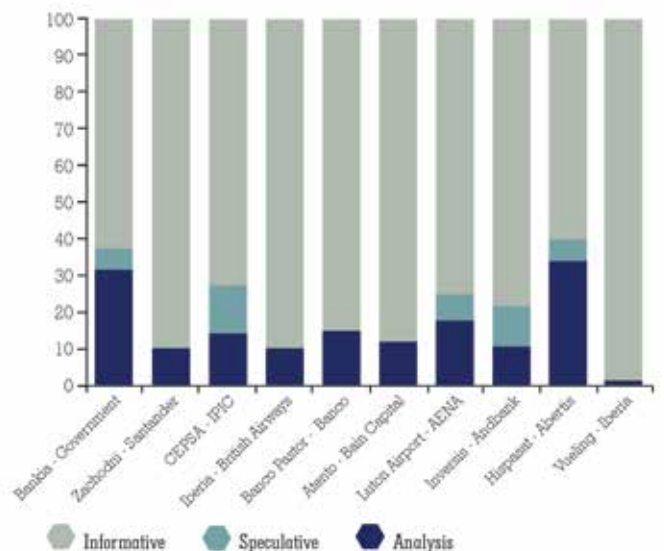


Table 10: High weight of information vs. analysis





THEMES AND CRITICAL POINTS

Although every transaction has a number of particular themes given its nature and sector (listed or unlisted company, strategic sector, international players, etc.), the questions relating to the price and the state of the negotiations are the most constant in terms of analysis and mentions in the press.

Before going into more detail on the minutiae of each transaction, it is worth noting that the economic recession experienced by the country during the evaluation period for this study has had an amplifying effect on issues relating to price and the strategic rationale for the transactions.

For example, in the **acquisition of Hispasat by Abertis**, the fact that the Minister of Finance, Cristóbal Montoro, obtained a good price for the State was unanimously applauded in the media.. All of this was related to the strategic asset nature of the target company, which was involved in defence. The communications effort made by Abertis to position its future strategy for Hispasat managed to turn the coverage related to the transaction clearly in favour of the Catalan company, positive coverage accounting for more than 50% of that published.

The price, linked to the divestment requirements of the sellers and their financial position, was also one of the critical points in **the sale of Inversis**, accounting for 90% of the total coverage analysed. These were mostly informative articles. However, it is worth noting the impact of an article published in El País Negocios about the Andorran nationality of some of the bidding banks. This angle, although in total barely accounting for 3% of the coverage, represented 30% of the themes addressed in the analysis and opinion articles relating to the operation.

It is interesting to note, however, how the buyer's nationality has been a theme that, despite the impact it may have generated in terms of public opinion, has only been briefly mentioned

in the written press. In the case of the transaction involving Abertis and Hispasat, the articles analysed do not mention the buyer being Catalan, although this point was widely discussed in debates and gatherings of a political nature.

In the case of the **purchase of Vueling by IAG**, the issues relating to price and the improvement in the service were the focus, or were widely mentioned, in practically 95% of coverage. The potential social and employment effects of the transaction were the second-most important focus of attention for the media, although they accounted for a much lower percentage.

With regard to the **acquisition of Banco Pastor by Banco Popular**, the issue of the surcharge paid by Banco Popular (26% higher than Banco Pastor's market value) was the subject of 46% of the opinion and analysis articles, accounting for 21% of the total coverage.

In **Atento's transaction, from its failed flotation to the entry of the venture capital company Bain Capital**, the articles relating to the price and valuation of the assets exceeded 25% of the analysis and opinion articles in the media. Telefónica's disinvestment needs, normally also linked to mentions of the price and the valuation of the asset, exceeded 33% of the total analysed coverage.

A similar situation is observed in the **transaction between Santander and the Polish bank Zachodni**. Although brief mentions were made in the media about the fact that Santander could be taking advantage of the difficult situation faced by other banks to improve its inorganic growth, the issue of the price and the effort in terms of provisions that would result from the investment in Poland accounted for 20% of the coverage.

This was also the case for the **purchase of Luton Airport by AENA**. In this case, questions about the price were mainly focused on whether it was sensible for the State, given its position of weakness, to be involved in such an important investment. The articles on this topic accounted for practically 40% of the opinion and analysis pieces, and accounted for 19% of the total coverage.

In the case of the **takeover of CEPSA by IPIC**, all the media analysed highlighted the surprise about the operation in the market given the lack of pre-announcement leaks in the CNMV. From a communications point of view, the lack of leaks itself represents an important success.

Once the operation became known, and given the economic difficulties in Spain, the media took the buyer's foreign nationality as a sign of confidence among foreign investors, with this topic accounting for 31% of the opinion and analysis articles about the transaction and offering a different angle to that seen in the sell-off of Inversis.

It also seems worth mentioning that, once the acquisition of Total's holding by IPIC was announced, the media speculated almost automatically about the implications for the sector of Total selling off its stake in CEPSA . As a result, strong rumours were detected about a possible takeover bid by Total for Repsol, a clearly unexpected event for the Spanish company from a communications point of view.

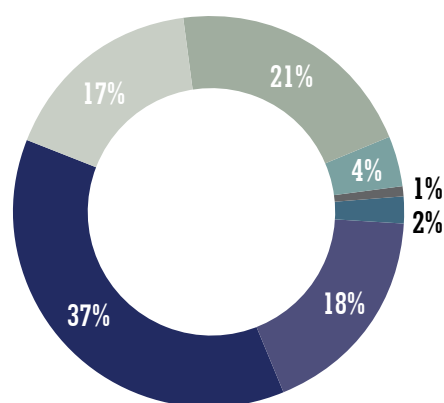
Separate cases were the **merger between Iberia and British Airways and the nationalisation of Bankia**, these operations involving a variety of problems that are more diverse compared to the rest of the transactions analysed.

In the case of Bankia, where 65% of the analysis and opinion articles were negative, the problem of the poor performance of the bank's management teams prior to the bank's nationalisation accounted for 61% of the analytical comments on the operation.


The impact of the bank's nationalisation and problems on Spain's image, on its market and its politicians from an international point of view, was the second most discussed issue, with 21% of comments in the analysed press. The remaining 18% of the coverage related to various topics, from the public protests to the collapse in the share value.

In the case of the merger between Iberia and British Airways, articles concerning rumours about the completion of the transaction accounted for 24% of coverage, while the need for a merger between equals accounted for 18% of all the articles analysed, in this case largely in opinion pieces. The potential social and employment effects of the merger on Iberia's employees accounted for 7% of the coverage, and issues such as the problems surrounding the British Airways pension funds were mentioned in 6% of the articles.

Table 11: Key aspects of the information



- State of the negotiation / Stages of the operation
- Financial position of the seller
- Rationale for the transaction
- Price and valuation of the asset
- Social and employment effects
- Regulators
- Nationality of the buyer



>> Looking at all the transactions analysed in this study, only 31% of the articles have one or more attributable quotes

SOURCES

Articles, and particularly those of an informative nature, are normally backed up by using sources or public information of various kinds. However, the use of direct quotes attributable to a spokesperson or official source in the company during market transactions is very limited.

Of all the operations analysed in this study, only 31% of the articles have one or more quotes, and just taking into account attributable sources, so ignoring “sources close to the operation” or “market sources”, this percentage drops to 20%.

The buyers, sellers and target companies remain the most frequently quoted sources in transactions, accounting for 60% of the total quotes. The remaining 40% is split between analysts, “sources close to the operation” and other stakeholders.

The leading role of buyers and sellers, in many cases through communications directed at the regulator and not directed at the media, is especially important in certain transactions.

In the case of the purchase of the Polish bank Zachodni by Santander, almost all of the articles reflect the position of the buyer. This is the case for 60% of the total coverage, although in a few cases there are also statements or data provided directly by the Spanish bank as an attributable source. It seems evident, therefore, that communication with the media has been established through *off the record* meetings, where the information is provided and directed and later supported on an exceptional basis with official public data (CNMV, corporate website), analyst opinions or versions of the local media. This is reinforced if we take into account that of the total coverage for this operation, 88%, is purely informative.

Of particular interest, from the viewpoint of proactive contact with the media and the use of direct and attributable quotes, is the merger between Iberia and British Airways. Of the total number of articles analysed in this transaction with direct and attributable quotes, only 10% of these corresponded to Iberia or its CEO, whilst 66% corresponded to official sources in British Airways, on most occasions Willie Walsh, CEO of the British company. This does not imply, of course, that Iberia did not maintain active contact with the media, but rather that its briefings and statements were not directly attributable to a spokesperson, which is in contrast to the strategy followed by the British group.

It is worth emphasising how Walsh, in direct statements to both the Spanish and international media, made use of the “news effect” (such as potential alliances with American Airlines or Qantas) at times during the transaction when the national media were saying that Iberia was more reluctant to take part in the merger, or there was information regarding the financial burden of the British Airways pension funds that cast doubt on the benefits of the merger for the Spanish company.

OTHER STAKEHOLDERS

Irrespective of their greater or lesser activity and presence in the media, all capital market operations have certain audiences that, due to their involvement, relationship or interest in the companies involved, acquire a greater importance and are considered as stakeholders. Every transaction will have its particular stakeholders, but among the common stakeholders are such diverse groups as minority shareholders, employees, the Government and Public Administrations, suppliers, rival companies and sector opinion leaders.

The role and visibility of each of these stakeholders in the media tends to vary in terms of their level of organisation. Despite their active participation in the transactions being less than that of the parties directly involved, and less than may be experienced in other markets, such as the Anglo-Saxon ones, we have seen an increase in their activity over recent financial years which has the potential to generate a clear impact on public opinion and on the reputation of the companies involved.

Whilst in the previous edition of the M&A Communications Monitor 2007-2010 we identified less involvement from these groups, the increase in financial information as a proportion of the total volume, the greater role of the social media as communication channels and the greater involvement of the public seen over recent years have been key factors in several of the transactions analysed in this edition. This has involved minority shareholders, employees and unions and public groups, and they have played a greater role in the Iberian market than seen to date.

Bankia is a clear example of this, with the minority shareholders and those affected by the company's financial situation deciding to organise themselves to express their concerns. Beyond the events of the General Shareholders' Meetings held in June 2012 and 2013 (where more than a hundred shareholders took to the floor and some organised heated protests), the Association of Bankia Minority Shareholders filed a claim for compensation against the Bank of Spain, to add to the lawsuits filed by UPyD and the 15-M movement and the constant protests at the bank's headquarters. Furthermore, media organisations with significant global influence, such as the Wall Street Journal and the Financial Times, and international institutions and organisations such as the European Central Bank and the International Monetary Fund, have played an important public role in the process, with open comments from some of their members which, in addition to the official communications, generated conflicts around the transaction.

Iberia's trade unions played an active role during the negotiation process with British Airways, aware of the implications that it could have for their future working conditions. Their activity, although not always reflected in quotes or direct mentions in the press, did generate various articles about the transaction's social and employment effects, making it one of the merger's most controversial issues.

Table 12: Proportion of articles that include quotes

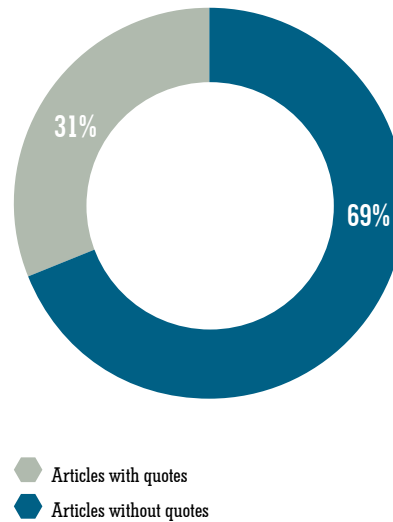
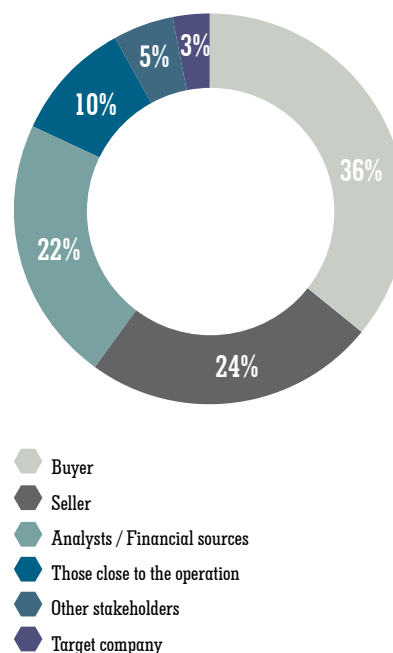



Table 13: Type of source used





>> It is always advisable for the companies involved and the teams leading the transaction to include the different stakeholders in their communications plans

The direct impact of these groups was more minor for the purchase of Vueling by IAG, although the potential social and employment effects of this merger were once again addressed in articles and important opinion pieces appearing as part of the coverage generated by the transaction.

Other stakeholders in the transactions, such as the *Confederación Española de Empresarios de Estaciones de Servicio* (Spanish Confederation of Service Stations), tried to stamp their mark on the coverage of the takeover of CEPSA by IPIC, although their impact was limited to two articles in the financial newspaper *Cinco Días*. AEMEC, which had a high profile and was active in the Bankia transaction, was more timid in the CEPSA takeover, simply lodging a request with the CNMV to ensure that there had been no use of inside information, again without much impact in the media.

The Government and its various Ministries and Public Administrations should always be considered as stakeholders in the transactions, but in three of those analysed in this edition (Bankia, the purchase of Hispasat by Abertis and the operation between AENA and Luton) their role as an involved party means that they are at a higher level of interaction, and in these cases they have been excluded from the analysis of stakeholders.

It is worth highlighting that it is always advisable for the companies involved and the teams leading the transaction to include all the different stakeholders in their communications plans. Although in many cases the relationship the companies establish with these groups never appears in the media through direct quotes, these groups are capable of converting their individual interests into problems for the transactions, or on the contrary, can generate opinion in favour of the transaction. It is advisable to establish specific lines of work for each of these groups and try, as far as possible, to turn them into allies. It is also important to have a plan about how to communicate the results of the transaction to them, how it will affect them and what contingency plans will be put in place to deal with any possible unfavourable reactions that could occur throughout the process.

Opinion of the respondents

THE IMPORTANCE OF COMMUNICATION IN A CORPORATE TRANSACTION

All the professionals surveyed in this study saw communication as being of considerable importance to a transaction process. While there were significant differences of opinion as to the degree of importance attributed to communication, it should be noted that none of the professionals surveyed considered its importance to be “null”.

Almost 86% of the respondents consider communication as a “very important” element in a transaction. This is because the decisions on a transaction are taken within a framework of uncertainty, where the level of confidence in the transaction and the view about its credibility taken by the market and the different parties involved are of considerable influence.

This factor acts as an unconventional barrier and its impact is associated with two phenomena directly related to the management of communications in a transaction. Firstly, the role that the media plays in the coverage and leaking of information, before, during and after the transaction. Secondly, the conversation that spreads on the social media such as Twitter and other communities, which can influence the outcome of a transaction through the opinion makers involved, as the results of this survey show.

USE OF COMMUNICATIONS IN THE TRANSACTIONS

The significant importance attributed to communication by the respondents contrasts, however, with their views on the strategic use of communications. Only 21% reported using some type of communications strategy consistently in the recent corporate transactions they were involved in, while a majority (69%) reported using it occasionally. In terms of the groups of professionals who say that they always use communications as part of their strategy for a transaction, consultants are more strongly represented than lawyers or investment bankers.

The use of communications is directly related to the role of the different parties involved in a transaction. The buyers tend to play a more active role than the sellers, except when it is a hostile takeover and the seller is fighting against it. However, it is interesting to note that the current recession has caused an increase in the number of cases where the seller launches the communication process as a result of wanting to disinvest (the clearest case being the different disinvestments made by Spanish financial organisations over the last three financial years). The process of selling Inversis is a good example among the cases analysed of a seller playing an active role.

Table 14: Is communication an important element in a corporate transaction?

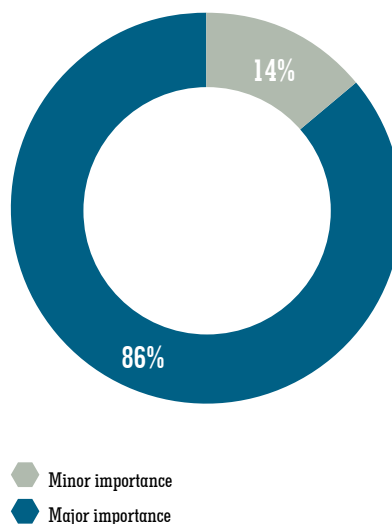
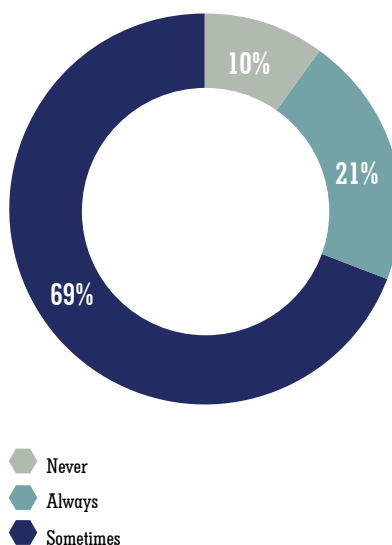


Table 15: Have you used communication strategies in the recent transactions where you have provided advice?



REASONS FOR USING COMMUNICATION

With regard to the specific factors that lead to one of the parties involved in the transaction adopting a particular communication strategy, the majority, with practically 39% of the results, use communication during a transaction to modify a false public perception. On the other hand, there is almost a draw between the respondents whose main motive is a complex legal and regulatory environment, and those who use communication as a way of exerting pressure in a competitive process. Looking at the opinion of the consultants in the survey, the majority (63%) say that this final factor is what prevails when adopting communication as an active tool in a transaction.

It tends to be common for shareholders, minority as well as institutional, to communicate their position on a certain transaction that may affect them if they consider the offer presented to be insufficient. Despite the fact that it is more the second of these groups than the first, processes in which public opinion plays a decisive role as a conditioning factor in the result of a transaction are frequent. It is also common for a company's shareholders who are legally subject to a takeover bid to wait until the closing moments of an acceptance period established for an offer, so controlling the information that could influence public opinion is a key factor.

Similarly, a complex regulatory framework conditions and increases the need for transparency from the acquiring companies. The channels through which the transaction is announced (which in Spain's case is through the CNMV in keeping with the regulatory deadlines and methods) must be accompanied by an effort to provide a level of transparency that allows for the formation of a well-founded judgment about the transaction by the shareholders and the market.

Another factor which underlies the communication needs in a corporate transaction relates to the desire of the different parties involved to position their interests in a competitive process. The sale of Inversis is, among the cases analysed in this period, a good example of a competitive bidding processes since there were various parties interested on both the buyer and the seller side. The coverage in the media clearly reflects the different stages in the process and the development of events that help to set the final price for the transaction.

TYPE OF STRATEGY TO FOLLOW

The significant importance attributed to communication by the respondents is consistent with the majority opinion (77%) being that the strategy to follow in planning it should be proactive. Proactive communication is understood to involve the design of an ongoing contact plan with the media and stakeholders, which does not necessarily lead to greater public exposure. In comparison, only 23% of respondents consider that, in general, the communication strategy in a transaction should be reactive, this being understood as the systematic monitoring of the information published and the design of an action plan for contingencies.

THE IMPACT OF COMMUNICATION IN RECENT TRANSACTIONS

The impact of communication on the results of the transactions discussed is, as can be seen from the survey, important as long as there is a well-planned communications strategy. A clear majority of respondents (84%) believe that the media and the opinion makers can facilitate the process in a corporate transaction, provided they are managed positively. However, there are also those who consider that the actions by the media and influencers have no impact on the overall process (10%) and those who think they always hinder it (6%).

Table 16: What would lead you to take the decision to actively use communication?

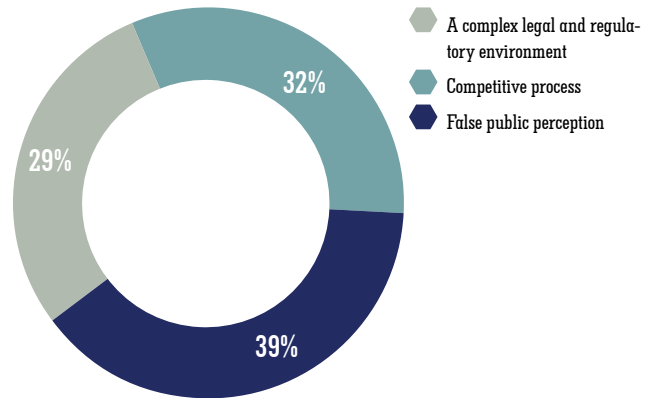


Table 17: Usually, the communications strategy in a transaction will be...

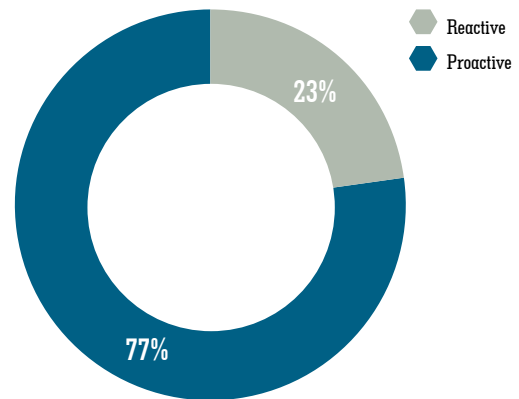
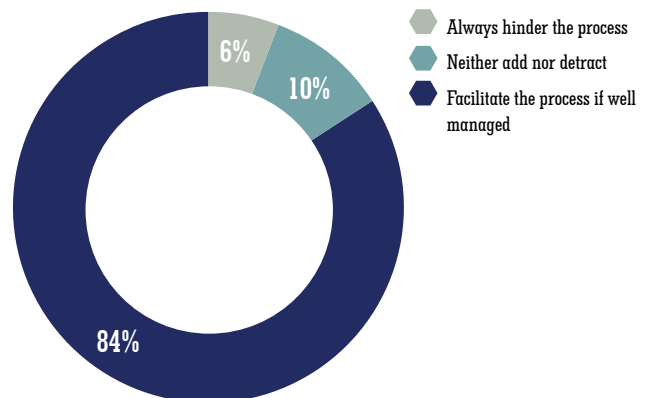


Table 18: Do you think that the media and opinion makers, in the context of a corporate transaction...



Conclusions

1. The official communication by companies in merger and acquisition transactions within the Iberian market (2010-2013) has continued being channelled to a **large extent through the compulsory communications with the regulator**.
2. The **role of opinions from experts, financial sources and analysts** about the rationale for the transaction and its valuation **has gained ground compared** to the last four-year period (2007-2010), with greater importance for the open communication channel used by the companies involved in the transactions to communicate with these groups.
3. The high and mid market segments continue to attract the most attention from the media and the market. However, within these markets, the size of the transaction and the volume of coverage obtained in the media does not have to be directly proportional. Issues such as the **degree of awareness about the companies**, or the **potential conflicts** that may arise with the different stakeholders as a result of the transaction, appear to have a **greater impact on the volume of coverage**.
4. **Developments in the negotiations and the completion** of the transactions were the topics that **generated the most media coverage**. The impact of the transactions on other stakeholders was in third place, a sign of the greater organisation and use of communication strategies by players other than the buyers and sellers.
5. Although **86% of the experts surveyed place great importance on the communications strategy** carried out in a transaction, only 21% stated that they had put plans in place for these purposes in all of the transactions in which they had participated, a clear sign of the development potential in this area.
6. During the period analysed, **the majority of the transactions carried out were a response to financial needs** (the need for disinvestment, cost savings and exploitation of synergies, takeovers, etc.) due on many occasions to the economic and financial crisis.

Communication recommendations

- **Carry out comprehensive monitoring** of the media, news agencies and social networks.
- **Address rumours.** Responding with a simple “we do not comment on market speculation” will not put an end to the thirst for information or the interest in a particular transaction. Instead it is advisable to agree an official position among all the parties involved that specifies how to respond to a leak.
- **Make the most of the announcement to take the lead in communication** and get your messages across to all the audiences through the mass media. It is therefore necessary to develop and execute a communications strategy that is consistent with the goals.
- **Do not limit our communication to the traditional media.** The range of stakeholders in a transaction is much broader than the media. The level of interaction taking place in the social media has skyrocketed in recent times and everything seems to indicate that the importance of conversations in the social media about transactions in capital markets will continue to grow over the coming years.
- **Have a communications strategy that is capable of addressing the requirements and potential problems and a professional communications structure** that can respond appropriately and in a timely manner to the demands of journalists and the needs of stakeholders.
- **Adapt the message that must be transmitted to the Regulator by law**, through the relevant facts (in the case of listed companies), to the audiences that we want to address, in each phase and for every objective.
- **Include** in the communications plans all the **stakeholders** involved or related to a transaction.



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