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Navigating M&A shareholder votes - essential tips for executives

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M&A transactions are arguably the most consequential events companies can take on – for buyers, for sellers and for the C-suites in the middle. That is obvious enough financially, with 2024 seeing \$3.5 trillion worth of M&A deals worldwide, according to Bain & Company. Yet if a corporate-friendly White House means these figures could soon soar even higher, successful deals require careful forward planning.

From understanding shareholders to targeting the investors that truly matter,

executives must be proactive in the run up to these all-important, corporate reforming proxy votes. This is particularly true when investor opposition and public scorn can stymie deals before they are consummated. Deals face increased pressure when shareholders feel the transaction fails to offer sufficient value.

A new US administration could bring opportunity. President Trump is anything but predictable – but there are reasons to think that his tenure could be a boon for M&A activity. The numbers are telling. In January 2025, 58 percent of

American chief executives said they hoped to engage in M&A this year, a 16 percent jump from September 2024. That is partly a reflection of the president's broad ideological agenda, with deregulation, tax cuts and a more sympathetic merger review process all high on his administration's priority list.

To ensure executives appreciate the risks and opportunities of M&A shareholder votes, below is an explanation of how partnering with industry experts can help a deal go smoothly.

Know your shareholders

Apart from grasping the broad M&A landscape, deals can only succeed if companies develop a detailed picture of their shareholders. The specifics here will necessarily change after a deal is announced: a 2019 study by the National Bureau of Economic Research found that hedge fund ownership rose by 7 percent in takeover targets, while mutual fund ownership dropped by 3 percent. Arbitrage is another consideration here too.

Careful stock surveillance or ownership intelligence is therefore important, because it offers an early indication as to how a deal is being met by the marketplace and investors. Ownership intelligence is market surveillance that identifies and tracks the true institutional shareholders holding share positions and hiding behind custodians in a company's stock.

By leveraging accurate and cutting-edge ownership intelligence databases, executives can learn who is buying and selling their shares.

This intelligence greatly helps the solicitation period to be utilised effectively by targeting record date shareholders with suitable messaging and not wasting time on investors who already sold their stock. More than that, comparing investor makeups pre- and post-votes allows executives to grasp how a deal was received, vital for dealing with any later discontent.

Effective solicitation

Even with a premium offer, not all investors will automatically back the transaction. Effective solicitation requires distinguishing between retail investors and institutional shareholders. First, retail investors prefer clear, simple messaging that highlights direct financial benefits. And second, institutional investors focus on long-term strategy, economies of scale and margin improvements.

Tailored messaging from chief executives and investor perception studies helps ensure that companies

align communication strategies with shareholder expectations.

The importance of sell-side analysts

Too often, companies overlook the role of sell-side analysts during an M&A transaction. But these individuals are regularly in front of a company's investors, and when properly briefed, they can be invaluable in helping shape market perception.

If analysts misunderstand or misinterpret the transaction, that misunderstanding can trickle into the shareholder base – especially for institutional investors who lean on analyst notes for quick takes.

Spend time ensuring the sell-side understands the transaction rationale, synergies and value-creation story. Consider holding an analyst call separate from general investor communications to walk through the specifics of the deal.

Provide clean, clear materials that break down pro forma financials, deal mechanics and strategic rationale. If a company is not proactive in this area, it runs the risk of leaving the narrative to be interpreted – or misinterpreted – by others. And once a negative view takes hold in the market, it is hard to unwind.

Shareholder base shifts and stock loan analysis

Once a deal is announced the makeup of shareholder base will change radically and rapidly. Therefore, every company that announces an M&A transaction,



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especially stock for stock deals or deals where there is significant arbitrage, must conduct a stock loan analysis.

Stock loan analysis identifies the top institutions lending out shares to short sellers and helps companies assess how this impacts votable share positions. This analysis helps ensure accurate understanding of voting dynamics and highlights any potential reductions in voting power caused by this practice.

Why is this important? Because a large institution like Vanguard or BlackRock might report a significant stake in a company's stock. However, since they both actively engage in securities lending, a portion of those shares could be out on loan and are not eligible to vote. This effectively reduces the voting power of that institution on its reported record date position.

This can negatively affect a proxy solicitation campaign, as the anticipated number of votes may be significantly reduced, requiring efforts to secure additional votes from other investors.

Companies that fail to do this early in the transaction may find themselves wondering where certain institutional votes are at the last minute when less votes have appeared from record date positions. By this time, it might be too late to scramble to replace those lost votes.

A proactive approach

Just the threat of an activist investor seeking more is enough to know that companies must communicate

with all investors, regardless of the premium involved. Activist investors are a constant threat to corporate plans, and nowhere is this clearer than M&A.

The statistics are stark: M&A demands appeared in over half of H2 2024 campaigns, according to Barclays' 2024 Review of Shareholder Activism. M&A votes demand an 'all hands on deck' approach. Activist investors are a constant threat, and in H2 2024, over half of all activist campaigns included M&A demands.

Public opposition can range from critical statements to full-scale proxy fights, as seen when Brookfield's \$10.6bn takeover bid for Australia's largest power retailer was rejected in 2023 due to activist pressure.

Engage proactively with all investors – activists often leverage undecided votes to disrupt deals. Ensure proxy solicitation and investor relations teams are aligned well before the record date working together on coordinated shareholder outreach.

In all M&A transactions, companies should have their regular proxy solicitor and investor relations firm on board. The team should not be switched, as now is not the time to be holding the hand of a new firm.

Retail shareholders and strategy

Retail shareholders specifically registered and non-objecting beneficial owner shareholders can be the difference between a successful vote and failure. More

times than not, companies facing tough votes have relied on the retail shareholders to push the vote over the needed threshold.

All companies are different, but almost all have some component of retail shareholders that can be easily solicited. As a rule, once solicited, retail shareholders vote for management at a ratio that is well worth the money spent. 'Retail outreach' campaigns take time, so it is critical to plan upfront to include them in the overall strategy.

Conclusion

M&A shareholder votes should not fail but they do, and C-suite executives certainly do not want it happening to their deal. By adopting a holistic strategy – one dovetailing best in class ownership intelligence, end to end shareholder engagement with focused investor relations – companies can ensure M&A votes pass without problems. ■

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